SIYATHEMBA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

INDEX

CONTENTS	PAGE

GENERAL INFORMATION

APPROVAL AND CERTIFICATION FROM MUNICIPAL MANAGER

REPORT OF THE EXECUTIVE DIRECTOR : FINANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CASHFLOWS

NOTE 1: ACCOUNTING POLICY

OTHER NOTES TO THE ANNUAL FINANCIAL STATEMENTS

APPENDIX A : EXTERNAL LOANS

APPENDIX B : PPE - TYPE

APPENDIX C : PPE - VOTE

APPENDIX D : FINANCIAL PERFORMANCE

APPENDIX E1 : OPERATIONAL : BUDGET vs ACTUAL

APPENDIX E2 : OPERATIONAL : BUDGET vs ACTUAL

APPENDIX E3 : OPERATIONAL : BUDGET vs ACTUAL

APPENDIX E4 : OPERATIONAL : BUDGET vs ACTUAL

APPENDIX E5 : OPERATIONAL : BUDGET vs CASH FLOW

APPENDIX F : GRANTS

APPENDIX G : REMUNIRATION OF MANAGERS

GENERAL INFORMATION

P. Papier	Speaker
G.P. Mackay	Councillors
F.M. Van Wyk	Councillors
J. Molepe	Councillors
G.A. Speelman	Councillors
E. Martin	Councillors
G. Macdonald	Councillors
B.A. Titus	Councillors
Grade of Local Authority	Category B
Auditors	Office of the Auditor General
Bankers	ABSA Bank
Legal Advisors	Du Toit Attorneys
Registered Office	Siyathemba Municipality Victoria street Prieska 8940
Postal Offices	P.O Box 16 Prieska 8940
General Contacts	
Telephone number	+2753 353 5300
Telephone number	+2753 353 1386
JRM Alexander	Municipal Manager
J Badenhorst	Manager: Technical services

SIYATHEMBA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Siyathemba Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in both Net Assets as well as Non-Current Liabilities, and a decrease Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities, Land-Fill Rehabilitation Provision and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Creditors and current portion of Land-Fill provision.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	10,175,542	(1,295,736)
Surplus / (Deficit) at the end of the Year	247,577,054	237,401,511
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	41.85%	40.10%
Remuneration of Councillors	2.90%	2.70%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	0.00%	14.10%
Impairment Losses	9.39%	3.60%
Repairs and Maintenance	4.48%	3.71%
Interest Paid	0.99%	0.15%
Bulk Purchases	16.80%	14.51%
Contracted Services	5.09%	3.83%
Grants and Subsidies Paid	0.67%	0.32%
General Expenses	17.82%	16.98%
Current Ratio:		
Trade Creditors Days	101	71
Debtors from Exchange Transactions Days	63	60

The extremely good ratio for Debtors Days, calculated on net Debtors, is because of bad debts provided for to the amount of R23 million (2011/12: R18 million) written-off during the year under review and a substantial increase in the Provision for Impairment, which renders a favourable ratio for the year.

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	1.69%	0.76%
Capital Charges to Own Revenue	3.72%	1.92%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.75%	1.00%
Safety of Capital:		
Gearing	0.84%	1.10%
Liquidity:		
Current Ratio	0.39	0.50
Liquidity Ratio	0.01	0.09
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	100.00%	50.78%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Current Debtors Collection Rate	72.82%	74.89%
Outstanding Debtors to Revenue	12.41%	13.44%
Creditors Management:		
Creditors to Cash and Investments	5891.64%	432.21%
Financial Viability:		
Debt Coverage	38.86	43.93
Outstanding Service Debtors to Revenue	22.83%	25.52%
Cost Coverage	0.00	0.02

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Siyathemba Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	237,401,511	236,396,383	0.43	252,357,884	(5.93)
Operating income for the year	77,297,878	63,811,198	21.14	87,271,297	(11.43)
Appropriations for the year	-	-	-	-	-
	314,699,389	300,207,581	4.83	339,629,181	(7.34)
Expenditure:					
Operating expenditure for the year	67,122,336	65,106,935	3.10	98,220,497	(31.66)
Sundry transfers	-	(2,300,864)	(100.00)	-	-
Closing surplus / (deficit)	247,577,053	237,401,511	4.29	241,408,684	2.56
	314,699,389	300,207,581	4.83	339,629,181	(7.34)

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	36,126,354	33,728,955	7.11	26,752,442	35.04
Expenditure	41,680,017	40,795,221	2.17	27,719,241	50.36
Surplus / (Deficit)	(5,553,662)	(7,066,266)	(21.41)	(966,799)	474.44
Surplus / (Deficit) as % of total income	(15.37)%	(20.95)%		(3.61)%	

Variance from 2011/12 actual:

The 7.11% increase on last year's actual revenue is primarily as a result of the increase in rates. The 2.17% increase on last year's actual expenditure is primarily as a result of increased cost inflation rate.

Variance from 2012/13 budget:

The 35.04% increase on the reporting years budget is primarily as a result of grants not budgeted for, being received . The -50.36% decrease on last year's actual expenditure is primarily as a result of grants being spent, which were not budgeted for.

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	41,246	39,606	4.14	-	100.00
Expenditure	-	-	-	-	-
Surplus / (Deficit)	41,246	39,606	4.14	-	100.00
Surplus / (Deficit) as % of total income	100.00%	100.00%		-	

Variance from 2011/12 actual:

The 4.14% increase on last year's actual revenue is primarily as a the increase in rent charges.

Variance from 2012/13 budget:

The 100.00% increase on the reporting years budget is primarily as a result of income not budgeted for, being received.

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	8,134,225	6,774,558	20.07	12,073,830	(32.63)
Expenditure	6,815,634	6,834,463	(0.28)	10,948,229	(37.75)
Surplus / (Deficit)	1,318,592	(59,906)	(2,301.11)	1,125,601	17.15
Surplus / (Deficit) as % of total income	16.21%	(0.88)%		9.32%	

Variance from 2011/12 actual:

The 20.07% increase on last year's actual revenue is primarily as a result of improved credit control. The 0.28% decrease on last year's actual expenditure is primarily as a result of cost cutting measures being taken.

3.3 Waste Management Services (continued):

Variance from 2012/13 budget:

The 32.63% decrease on the reporting years budget is primarily as a result of grants budgeted for that was not received. The 37.75% decrease on last year's actual expenditure is primarily as a result of grants not received that could therefore not be spent.

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R11,070,703 (2012: R8,774,981). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	14,933,176	12,333,343	21.08	17,492,702	(14.63)
Expenditure	13,210,393	10,573,545	24.94	15,962,499	(17.24)
Surplus / (Deficit)	1,722,784	1,759,798	(2.10)	1,530,203	12.59
Surplus / (Deficit) as % of total income	11.54%	14.27%		8.75%	

Variance from 2011/12 actual:

The 21.08% increase on last year's actual revenue is primarily as a results of tariff increases. The 24.94% increase on last year's actual expenditure is primarily as a result of increased departmental chargeouts to other services.

Variance from 2012/13 budget:

The 14.63% decrease on the reporting years budget is primarily as a result of less repairs and maintenance work being carried out. The 17.24% decrease on the reporting years budget is primarily as a result of less repairs and maintenance work being carried out.

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R205,182 (2012: R670,560). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	18,062,876	10,934,737	65.19	13,085,823	38.03
Expenditure	5,416,292	6,903,706	(21.55)	9,798,988	(44.73)
Surplus / (Deficit)	12,646,584	4,031,031	213.73	3,286,835	284.76
Surplus / (Deficit) as % of total income	70.01%	36.86%		25.12%	

Variance from 2011/12 actual:

The 65.19% increase on last year's actual revenue is primarily as a result of improved credit control. The 21.55% decrease on last year's actual expenditure is primarily as a result of decrease in maintenance expenditure.

Variance from 2012/13 budget:

The 38.03% increase on the reporting years budget is primarily as a result of a increase in water consumption. The 44.73% decrease on the reporting years budget is primarily as a result of a less epairs and maintenance being performed then expected.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R15,003,836 (2011/12: R15,306,821). Full details of Assets are disclosed in Notes 9, N/A, N/A, N/A and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R15,003,836 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	15,003,836	15,306,820	(1.98)	13,008,375	15.34
Own Funds (Accumulated Surplus)	-		-	-	-
	15,003,836	15,306,820	(1.98)	13,008,375	15.34

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	100.00%	100.00%
Own Funds (Accumulated Surplus)	-	-
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
Variance per Category:		
Budgeted surplus before appropriations	(10,949,200)	3,129,538
Revenue variances	(9,973,419)	(11,927,722)
Expenditure variances:		
Employee Related Costs	1,032,234	(5,865,115)
Remuneration of Councillors	119,868	142,181
Collection Costs	-	-
Depreciation and Amortisation	9,774,830	(9,031,751)
Impairment Losses	(2,349,156)	(1,105,009)
Repairs and Maintenance	(304,162)	(2,414,037)
Interest Paid	115,019	(95,879)
Bulk Purchases	2,041,725	1,327,466
Contracted Services	1,030,986	(2,492,244)
Grants and Subsidies Paid	5,201,972	24,748,589
General Expenses	14,434,843	2,288,246
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	10,175,542	(1,295,736)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	-	94,334	(94,334)	-	-
Community and Social Services	2,136,325	5,769,064	(3,632,739)	2,136,325	-
Waste Management	3,990,000	1,100,716	2,889,284	3,990,000	-
Roads and Transport	-	3,567,432	(3,567,432)	-	-
Waste Water Management	8,877,511	4,032,955	4,844,556	6,882,050	1,995,461
Electricity	-	736,297	(736,297)	-	-
Other	-	6,022	(6,022)	-	-
	15,003,836	15,306,820	(302,984)	13,008,375	1,995,461

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R247,577,054 (30 June 2012: R237,401,511) and is made up as follows:

Accumulated Surplus	247,577,054
	247,577,054

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R2,081,336 (30 June 2012: R2,601,292).

Loans to the amount of R0 (2011/12: R0) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 17 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R6,207,023 (30 June 2012: R5,789,995).

This liability is in respect of continued Healh Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R8,901,899 as at 30 June 2013 (30 June 2012: R7,943,179) and is made up as follows:

Provision for Long-term Service	3,268,551
Provision for Ex-Gratia Pension	1,605,178
Provision for Rehabilitation of Land-fill Sites	4,028,170
	8,901,899

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R18,647,684 as at 30 June 2013 (30 June 2012: R15,050,469) and is made up as follows:

Consumer Deposits	Note 11	548,301
Provisions	Note 12	415,916
Payables from Exchange Transactions	Note 13	9,339,580
Payables from Non-exchange Transactions	Note 14	6,437,223
Unspent Conditional Grants and Receipts	Note 15	1,386,708
Current Portion of Long-term Liabilities	Note 17	519,957
		18,647,684

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R276,133,712 as at 30 June 2013 (30 June 2012: R261,129,876).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R62,976 at 30 June 2013 (30 June 2012: R82,165) is made up as follows:

Housing Loans	79,962
	79,962
Less: Short-term portion included in Current Assets	16,987
	62,976

The decrease in the amount for Long-term Receivables is due to the repayments made during the year in accordance with the arrangements on the Loans provided.

Refer to Note 10 for more detail.

13. CURRENT ASSETS

Current Assets amounted R7,218,307 as at 30 June 2013 (30 June 2012: R7,574,405) and is made up as follows:

Inventories	Note 2	610,455
Receivables from Exchange Transactions	Note 3	4,471,831
Receivables from Non-exchange Transactions	Note 4	1,727,765
VAT Receivable	Note 5	214,687
Cash and Cash Equivalents	Note 6	158,522
Operating Lease Assets	Note 7	18,060
Current Portion of Long-term Debtors	Note 10	16,987
		7,218,307

The increase in the amount for Current Assets is mainly due to the increased in Receivables from Non-exchange Transactions.

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 22, and Appendix "F" for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 51.

16. EXPRESSION OF APPRECIATION

We are grateful to the Speaker, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

ACTING CHIEF FINANCIAL OFFICER
Mr S Hassen
31 August 2013

SIYATHEMBA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	Actual 2013 R	2012 R
ASSETS			
Current Assets		**7,218,307**	**7,574,405**
Inventories	2	610,455	469,642
Receivables from Exchange Transactions	3	4,471,831	3,380,725
Receivables from Non-exchange Transactions	4	1,727,765	2,369,603
VAT Receivable	5	214,687	-
Cash and Cash Equivalents	6	158,522	1,324,061
Operating Lease Receivables	7	18,060	16,330
Current Portion of Long-term Receivables	8	16,987	14,044
Non-Current Assets		**276,196,688**	**261,212,041**
Property, Plant and Equipment	9	276,133,712	261,129,876
Long-term Receivables	10	62,976	82,165
Total Assets		**283,414,995**	**268,786,446**
LIABILITIES			
Current Liabilities		**18,647,684**	**15,050,469**
Consumer Deposits	11	548,301	483,435
Provisions	12	415,916	3,146,663
Payables from Exchange Transactions	13	9,339,580	5,722,771
Payables from Non-exchange Transactions	14	6,437,223	3,608,833
Unspent Conditional Grants and Receipts	15	1,386,708	1,237,922
VAT Payable	16	-	379,706
Bank Overdraft	6	-	-
Current Portion of Long-term Liabilities	17	519,957	471,139
Non-Current Liabilities		**17,190,258**	**16,334,467**
Long-term Liabilities	17	2,081,336	2,601,292
Retirement Benefit Liabilities	18	6,207,023	5,789,995
Non-current Provisions	19	8,901,899	7,943,179
Total Liabilities		**35,837,942**	**31,384,935**
Total Assets and Liabilities		**247,577,053**	**237,401,511**
NET ASSETS		**247,577,054**	**237,401,511**
Accumulated Surplus / (Deficit)	20	247,577,054	237,401,511
Total Net Assets		**247,577,054**	**237,401,511**

SIYATHEMBA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	**21**	5,129,933	4,687,033
Property Rates - Penalties imposed and collection charges		-	-
Fines		53,713	65,159
Licences and Permits		593	561
Income for Agency Services		832,080	1,126,540
Government Grants and Subsidies Received	**22**	46,790,180	38,131,761
Public Contributions and Donations	**23**	1,500	25,750
Revenue from Exchange Transactions			
Service Charges	**24**	20,875,082	15,861,856
Rental of Facilities and Equipment		622,264	705,345
Interest Earned - External Investments	**25**	313,906	186,269
Interest Earned - Outstanding Debtors	**25**	596,700	1,335,617
Other Revenue	**26**	2,081,927	1,685,308
Gains on Disposal of Property, Plant and Equipment		-	-
Profit on Sale of Land:-		-	-
Sale of Land		-	-
Cost of Sales		-	-
Total Revenue		**77,297,878**	**63,811,198**
EXPENDITURE			
Employee Related Costs	**27**	28,090,868	26,107,922
Remuneration of Councillors	**28**	1,949,332	1,759,826
Collection Costs		-	-
Depreciation and Amortisation	**29**	-	9,181,751
Impairment Losses	**30**	6,304,666	2,345,359
Repairs and Maintenance		3,010,162	2,414,037
Finance Costs	**31**	665,103	95,879
Bulk Purchases	**32**	11,275,885	9,445,542
Contracted Services	**33**	3,414,145	2,492,244
Grants and Subsidies Paid	**34**	448,765	206,601
General Expenses	**35**	11,963,412	11,057,774
Loss on Disposal of Property, Plant and Equipment		-	-
Total Expenditure		**67,122,336**	**65,106,935**
SURPLUS / (DEFICIT) FOR THE YEAR		**10,175,542**	**(1,295,736)**

Refer to Appendix E(1) for explanation of budget variances

SIYATHEMBA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	150,000	175,146	325,146	-	-	325,146	610,455	-	285,309	187.75	406.97
Receivables from Exchange Transactions	26,000,000	(12,160,573)	13,839,427	-	-	13,839,427	4,471,831	-	(9,367,596)	32.31	17.20
Receivables from Non-exchange Transactions	1,800,000	6,669,792	8,469,792	-	-	8,469,792	1,727,765	-	(6,742,027)	20.40	95.99
VAT Receivable	-	-	-	-	-	-	214,687	-	214,687	0.00	0.00
Cash and Cash Equivalents	250,000	(249,200)	800	-	-	800	158,522	-	157,722	19,815.31	63.41
Operating Lease Receivables	-	-	-	-	-	-	18,060	-	18,060	0.00	0.00
Current Portion of Long-term Receivables	13,000	13,294	26,294	-	-	26,294	16,987	-	(9,307)	64.60	130.67
		-			-						
Non-Current Assets		-			-						
Property, Plant and Equipment	257,618,637	16,978,987	274,597,624	-	-	274,597,624	276,133,712	-	1,536,088	100.56	107.19
Intangible Assets	-	35,170	35,170	-	-	35,170	-	-	(35,170)	0.00	0.00
Long-term Receivables	100,000	(32,324)	67,676	-	-	67,676	62,976	-	(4,700)	93.06	62.98
Total Assets	285,931,637	11,430,292	297,361,929	-	-	297,361,929	283,414,995	-	(13,946,933)	95.31	99.12
Current Liabilities											
Consumer Deposits	340,000	(340,000)	-	-	-	-	548,301	-	548,301	0.00	161.27
Provisions	30,000	3,823,628	3,853,628	-	-	3,853,628	415,916	-	(3,437,712)	10.79	1,386.39
Payables from Exchange Transactions	15,034,146	726,392	15,760,538	-	-	15,760,538	9,339,580	-	(6,420,958)	59.26	62.12
Payables from Non-exchange Transactions	-	-	-	-	-	-	6,437,223	-	6,437,223	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1,386,708	-	1,386,708	0.00	0.00
Bank Overdraft	-	17,222,869	17,222,869	-	-	17,222,869	-	-	(17,222,869)	0.00	0.00
Current Portion of Long-term Liabilities	62,807	298,430	361,237	-	-	361,237	519,957	-	158,720	143.94	827.86
Non-Current Liabilities											
Long-term Liabilities	302,801	1,532,537	1,835,338	-	-	1,835,338	2,081,336	-	245,998	113.40	687.36
Retirement Benefit Liabilities	-	-	-	-	-	-	6,207,023	-	6,207,023	0.00	0.00
Non-current Provisions	19,520	16,900,115	16,919,635	-	-	16,919,635	8,901,899	-	(8,017,736)	52.61	45,603.99
Total Liabilities	15,789,274	40,163,971	55,953,245	-	-	55,953,245	35,837,942	-	(20,115,303)	64.05	226.98
Total Assets and Liabilities	**270,142,363**	**(28,733,679)**	**241,408,684**	**-**	**-**	**241,408,684**	**247,577,053**	**-**	**6,168,370**	**102.56**	**91.65**
Net Assets (Equity)											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	270,142,363	(28,733,679)	241,408,684	-	-	241,408,684	247,577,054	-	6,168,370	102.56	91.65
Total Net Assets	**270,142,363**	**(28,733,679)**	**241,408,684**	**-**	**-**	**241,408,684**	**247,577,054**	**-**	**6,168,370**	**102.56**	**91.65**
							(0)		(0)		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Inventories:

Lack oof implementation for a proper stock control system. The inventory was also never reconciled to the ledger accounts until year end 2013. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Receivables from Exchange Transactions:

The municipality incorrectly budgeted for the whole amount and no provision was deducted from the account. This will be corrected in the new financial year.

Receivables from Non-exchange Transactions:

The municipality has no formal leave procedure, and balances were mistated. The provision was recalculated at year end, to ensure an accurate figure. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Cash and Cash Equivalents:

The municipality did not take into account the actual cash amount at year end. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Current Portion of Long-term Receivables:

The municipality incorrectly calcualted the current portion for the year. This amount was corrected with the AFS compliation. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Property, Plant and Equipment:

No formal asset register exists and therefore the amount was incorrectly calculated.

Long-term Receivables:

The municipality incorrectly calcualted the long term receiveables amount. This amount was corrected with the AFS compliation. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Provisions:

The provision was incorrectly calculated with the Budget process, this figure was recalcualted with the assistance of the Acturarial report to ensure an accurate figure. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Current Portion of Long-term Liabilities:

The provision was incorrectly calculated with the Budget process, this figure did not take into account all long term liabilities. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Accumulated Surplus / (Deficit):

Due to the variances noted above, the surplus was understated. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	6,000,000	-	6,000,000	-	-	6,000,000	5,129,933	-	(870,067)	85.50	85.50
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Fines	81,000	192,500	273,500	-	-	273,500	53,713	-	(219,787)	19.64	66.31
Licences and Permits	5,000	15,000	20,000	-	-	20,000	593	-	(19,407)	2.97	11.87
Income for Agency Services	1,265,000	-	1,265,000	-	-	1,265,000	832,080	-	(432,920)	65.78	65.78
Government Grants and Subsidies Received	40,439,000	1,511,400	41,950,400	-	-	41,950,400	33,123,170	-	(8,827,230)	78.96	81.91
Public Contributions and Donations	-	-	-	-	-	-	1,500	-	1,500	0.00	0.00
Revenue from Exchange Transactions											
Service Charges	21,009,126	7,262,364	28,271,490	-	-	28,271,490	20,875,082	-	(7,396,408)	73.84	99.36
Rental of Facilities and Equipment	732,500	-	732,500	-	-	732,500	622,264	-	(110,236)	84.95	84.95
Interest Earned - External Investments	145,000	-	145,000	-	-	145,000	313,906	-	168,906	216.49	216.49
Interest Earned - Outstanding Debtors	1,750,000	-	1,750,000	-	-	1,750,000	596,700	-	(1,153,300)	34.10	34.10
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Other Income	3,396,402	3,467,005	6,863,407	-	-	6,863,407	2,081,927	-	(4,781,480)	30.33	61.30
Other Gains on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	500,000	(500,000)	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	75,323,028	11,948,269	87,271,297	-	-	87,271,297	63,630,868	-	(23,640,429)	72.91	84.48
Expenditure											
Employee Related Costs	27,824,019	1,299,083	29,123,102	-	-	29,123,102	28,090,868	-	(1,032,234)	96.46	100.96
Remuneration of Councillors	2,069,200	-	2,069,200	-	-	2,069,200	1,949,332	-	(119,868)	94.21	94.21
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	5,200,000	4,574,830	9,774,830	-	-	9,774,830	-	-	(9,774,830)	0.00	0.00
Impairment Losses	3,500,000	455,510	3,955,510	-	-	3,955,510	6,304,666	2,349,156	2,349,156	159.39	180.13
Repairs and Maintenance	4,685,000	(1,979,000)	2,706,000	-	-	2,706,000	3,010,162	304,162	304,162	111.24	64.25
Finance Costs	780,122	-	780,122	-	-	780,122	665,103	-	(115,019)	85.26	85.26
Bulk Purchases	13,317,610	-	13,317,610	-	-	13,317,610	11,275,885	-	(2,041,725)	84.67	84.67
Contracted Services	3,695,000	750,131	4,445,131	-	-	4,445,131	3,414,145	-	(1,030,986)	76.81	92.40
Grants and Subsidies Paid	550,000	5,100,737	5,650,737	-	-	5,650,737	448,765	-	(5,201,972)	7.94	81.59
General Expenses	27,721,730	(1,323,475)	26,398,255	-	-	26,398,255	11,963,412	-	(14,434,843)	45.32	43.16
Total Expenditure	89,342,681	8,877,816	98,220,497	-	-	98,220,497	67,122,336	2,653,317	(31,098,161)	68.34	75.13
Surplus/(Deficit)	(14,019,653)	3,070,453	(10,949,200)	-	-	(10,949,200)	(3,491,468)	(2,653,317)	7,457,732	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	13,667,010	13,667,010	13,667,010	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	(14,019,653)	3,070,453	(10,949,200)	-	-	(10,949,200)	10,175,542	11,013,693	21,124,742	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year	**(14,019,653)**	**3,070,453**	**(10,949,200)**	**-**	**-**	**(10,949,200)**	**10,175,542**	**11,013,693**	**21,124,742**	**-**	**-**

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Interest Earned - External Investments:

The muncipality earned more interest as budgeted for because of Conditional Grants Income being put into a call deposit account.

Impairment Losses:

The municipality inocrrectly calculated the impairment of debtors.

Repairs and Maintenance:

Increase in the price level of products resulted in the overspending.

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Planning and Development	2,136,375	(2,136,375)	-	-	-	-	-	-	-	0.00	0.00
Community and Social Services	-	2,136,325	2,136,325	-	-	2,136,325	2,136,325	-	-	100.00	0.00
Waste Management	3,990,000	-	3,990,000	-	-	3,990,000	3,990,000	-	-	100.00	100.00
Waste Water Management	10,252,000	(3,369,950)	6,882,050	-	-	6,882,050	8,877,511	1,995,461	1,995,461	129.00	86.59
Total Capital Expenditure	**16,378,375**	**(3,370,000)**	**13,008,375**	**-**	**-**	**13,008,375**	**15,003,836**	**1,995,461**	**1,995,461**	**115.34**	**91.61**

Capital Expendirure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Planning and Development:
Change in the vote structure for the municipality resulted in the overspending.
Community and Social Services:
Change in the vote structure for the municipality resulted in the overspending.
Waste Management:
Change in the vote structure for the municipality resulted in the overspending.

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	4,763,801	-	4,763,801	-	-	4,763,801	4,763,801	-	-	100.00	100.00
Grants	41,675,000	(4,684,000)	36,991,000	-	-	36,991,000	46,641,394	9,650,394	9,650,394	126.09	111.92
Public Contributions and Donations	-	-	-	-	-	-	1,500	1,500	1,500	0.00	0.00
Service Charges	40,400,308	(11,819,579)	28,580,729	-	-	28,580,729	14,606,247	-	(13,974,482)	51.11	36.15
Interest Received	1,895,000	(1,750,000)	145,000	-	-	145,000	313,906	168,906	168,906	216.49	16.56
Other Receipts	-	-	-	-	-	-	4,151,894	4,151,894	4,151,894	0.00	0.00
Employee Related Costs	(26,374,112)	-	(26,374,112)	-	-	(26,374,112)	(26,374,112)	-	-	0.00	0.00
Remuneration of Councillors	(1,949,332)	-	(1,949,332)	-	-	(1,949,332)	(1,949,332)	-	-	0.00	0.00
Interest Paid	(780,122)	(551,113)	(1,331,235)	-	-	(1,331,235)	(665,103)	666,132	666,132	0.00	0.00
Suppliers Paid	(30,056,531)	(15,171,737)	(45,228,268)	-	-	(45,228,268)	(11,254,992)	33,973,276	33,973,276	0.00	0.00
Other Payments	(3,989,000)	3,939,000	(50,000)	-	-	(50,000)	(17,400,428)	-	(17,350,428)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(17,578,000)	3,794,605	(13,783,395)	-	-	(13,783,395)	(15,003,836)	-	(1,220,441)	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	500,000	(500,000)	-	-	-	-	1,392,808	1,392,808	1,392,808	0.00	278.56
Decrease / (Increase) in Long-term Receivables	287,000	(284,000)	3,000	-	-	3,000	16,987	13,987	13,987	566.22	5.92
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
(Decrease) / Increase in Consumer Deposits	(10,000)	-	-	-	-	-	64,867	64,867	64,867	0.00	0.00
Loans repaid	-	(314,119)	(314,119)	-	-	(314,119)	(471,139)	-	(157,020)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	**8,784,013**	**(27,340,943)**	**(18,546,930)**	**-**	**-**	**(18,546,930)**	**(1,165,539)**	**50,083,763**	**17,381,392**	**0.00**	**0.00**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Grants
The municipalities system was also not previously GRAP Compliant, and was changed before the compliation of the AFS, therefore numerous budgeted differences are noted.
Service Charges
The municipality did not take into account the amount that was written off during the prior financial year. The municipalities system was also not previously GRAP Compliant, and was changed before the compliation of the AFS, therefore numerous budgeted differences are noted.
Decrease / (Increase) in Long-term Receivables:
Management incorrectly budgeted for long term receivables. This amount was corrected with the AFS compilation.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	150,000	35,000	185,000	-	-	185,000	469,642	284,642	284,642	253.86	313.09
Receivables from Exchange Transactions	26,000,000	(26,000,000)	-	-	-	-	3,380,725	3,380,725	3,380,725	0.00	13.00
Receivables from Non-exchange Transactions	1,800,000	(1,050,000)	750,000	-	-	750,000	2,369,603	1,619,603	1,619,603	315.95	131.64
VAT Receivable	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	250,000	(230,000)	20,000	-	-	20,000	1,324,061	1,304,061	1,304,061	6,620.31	529.62
Operating Lease Receivables	-	-	-	-	-	-	16,330	16,330	16,330	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	13,000	(13,000)	-	-	-	-	14,044	14,044	14,044	0.00	108.03
								-			
Non-Current Assets								-			
Property, Plant and Equipment	257,618,637	(257,618,637)	-	-	-	-	261,129,876	261,129,876	261,129,876	0.00	101.36
Non-current Investments	-	300,000	300,000	-	-	300,000	0	-	(300,000)	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	100,000	40,000	140,000	-	-	140,000	82,165	-	(57,835)	58.69	82.16
Total Assets	285,931,637	(284,536,637)	1,395,000	-	-	1,395,000	268,786,446	267,749,281	267,391,446	19,267.85	94.00
Current Liabilities											
Consumer Deposits	340,000	10,000	350,000	-	-	350,000	483,435	133,435	133,435	138.12	142.19
Provisions	30,000	(5,000)	25,000	-	-	25,000	3,146,663	3,121,663	3,121,663	12,586.65	10,488.88
Payables from Exchange Transactions	15,034,146	(15,034,146)	-	-	-	-	5,722,771	5,722,771	5,722,771	0.00	38.07
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,608,833	3,608,833	3,608,833	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1,237,922	1,237,922	1,237,922	0.00	0.00
VAT Payable	-	-	-	-	-	-	379,706	379,706	379,706	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	300,000	300,000	-	-	300,000	-	-	(300,000)	0.00	0.00
Current Portion of Long-term Liabilities	62,807	(62,807)	-	-	-	-	471,139	471,139	471,139	0.00	750.14
Non-Current Liabilities											
Long-term Liabilities	302,801	(302,801)	-	-	-	-	2,601,292	2,601,292	2,601,292	0.00	859.08
Retirement Benefit Liabilities	-	-	-	-	-	-	5,789,995	5,789,995	5,789,995	0.00	0.00
Non-current Provisions	19,520	(19,520)	-	-	-	-	7,943,179	7,943,179	7,943,179	0.00	40,692.52
Total Liabilities	15,789,274	(15,114,274)	675,000	-	-	675,000	31,384,935	31,009,935	30,709,935	4,649.62	198.77
Total Assets and Liabilities	**270,142,363**	**(269,422,363)**	**720,000**	**-**	**-**	**720,000**	**237,401,511**	**236,739,346**	**236,681,511**	**32,972.43**	**87.88**
Net Assets (Equity)											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	270,142,363	(269,422,363)	720,000	-	-	720,000	237,401,511	236,739,346	236,681,511	32,972.43	87.88
Total Net Assets	**270,142,363**	**(269,422,363)**	**720,000**	**-**	**-**	**720,000**	**237,401,511**	**236,739,346**	**236,681,511**	**32,972.43**	**87.88**
							(0)		(0)		

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Inventories:

Lack oof implementation for a proper stock control system. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Receivables from Non-exchange Transactions:

The municipality has no formal leave procedure, and balances were mistated. The provision was recalculated at year end, to ensure an accurate figure. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Cash and Cash Equivalents:

The municipality did not take into account the actual cash amount at year end. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Current Portion of Long-term Receivables:

The municipality incorrectly calcualted the current portion for the year. This amount was corrected with the AFS compliation. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Property, Plant and Equipment:

No formal asset register exists and therefore the amount was incorrectly calculated.

Long-term Receivables:

The municipality incorrectly calcualted the long term receiveables amount. This amount was corrected with the AFS compliation. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Provisions:

The provision was incorrectly calculated with the Budget process, this figure was recalcualted with the assistance of the Acturarial report to ensure an accurate figure. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Current Portion of Long-term Liabilities:

The provision was incorrectly calculated with the Budget process, this figure did not take into account all long term liabilities. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

Accumulated Surplus / (Deficit):

Due to the variances noted above, the surplus was understated. The municipalities system was also not previously GRAP Compliant, therefore numerous budgeted differences is noted.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	7,024,997	(1,324,997)	5,700,000	-	-	5,700,000	4,687,033	-	(1,012,967)	82.23	66.72
Property Rates - Penalties imposed and collection charges	1,613,455	(1,613,455)	-	-	-	-	-	-	-	0.00	0.00
Fines	596,973	(504,973)	92,000	-	-	92,000	65,159	-	(26,841)	70.82	10.91
Licences and Permits	47,500	(31,246)	16,254	-	-	16,254	561	-	(15,693)	3.45	1.18
Income for Agency Services	1,730,000	(643,504)	1,086,496	-	-	1,086,496	1,126,540	-	40,044	103.69	65.12
Government Grants and Subsidies Received	35,324,140	305,895	35,630,035	-	-	35,630,035	24,233,709	-	(11,396,326)	68.01	68.60
Public Contributions and Donations	-	6,500	6,500	-	-	6,500	25,750	-	19,250	396.15	0.00
Revenue from Exchange Transactions											
Service Charges	27,572,802	(6,565,747)	21,007,055	-	-	21,007,055	15,861,856	-	(5,145,199)	75.51	57.53
Rental of Facilities and Equipment	625,170	169,830	795,000	-	-	795,000	705,345	-	(89,655)	88.72	112.82
Interest Earned - External Investments	95,000	20,000	115,000	-	-	115,000	186,269	-	71,269	161.97	196.07
Interest Earned - Outstanding Debtors	650,000	850,000	1,500,000	-	-	1,500,000	1,335,617	-	(164,383)	89.04	205.48
Other Income	458,883	3,587,301	4,046,184	-	-	4,046,184	1,685,308	-	(2,360,876)	41.65	367.26
Total Revenue	75,738,920	(5,744,396)	69,994,524	-	-	69,994,524	49,913,147	-	(20,081,377)	71.31	65.90
Expenditure											
Employee Related Costs	20,242,807	4,564,910	24,807,717	-	-	24,807,717	26,107,922	1,300,205	1,300,205	105.24	128.97
Remuneration of Councillors	1,902,007	-	1,902,007	-	-	1,902,007	1,759,826	-	(142,181)	92.52	92.52
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	150,000	-	150,000	-	-	150,000	9,181,751	9,031,751	9,031,751	6,121.17	6,121.17
Impairment Losses	1,240,350	(440,350)	800,000	-	-	800,000	2,345,359	1,545,359	1,545,359	293.17	189.09
Repairs and Maintenance	-	3,416,000	3,416,000	-	-	3,416,000	2,414,037	-	(1,001,963)	70.67	0.00
Finance Costs	-	265,634	265,634	-	-	265,634	95,879	-	(169,755)	36.09	0.00
Bulk Purchases	10,773,008	300,000	11,073,008	-	-	11,073,008	9,445,542	-	(1,627,466)	85.30	87.68
Contracted Services	-	4,020,000	4,020,000	-	-	4,020,000	2,492,244	-	(1,527,756)	62.00	0.00
Grants and Subsidies Paid	24,955,190	(24,597,190)	358,000	-	-	358,000	206,601	-	(151,399)	57.71	0.83
Research and Development Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
General Expenses	13,346,020	9,856,138	23,202,158	-	-	23,202,158	11,057,774	-	(12,144,384)	47.66	82.85
Other Losses on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	72,609,382	(2,614,858)	69,994,524	-	-	69,994,524	65,106,935	11,877,315	(4,887,590)	93.02	89.67
Surplus/(Deficit)	3,129,538	(3,129,538)	(0)	-	-	(0)	(15,193,788)	(11,877,315)	(15,193,787)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	13,898,051	13,898,051	13,898,051	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	3,129,538	(3,129,538)	(0)	-	-	(0)	(1,295,736)	2,020,737	(1,295,736)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year	**3,129,538**	**(3,129,538)**	**(0)**	**-**	**-**	**(0)**	**(1,295,736)**	**2,020,737**	**(1,295,736)**	**-**	**-**

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Income for Agency Services:

The Municipality collected more income when traffic department was fully staffed.

Interest Earned - External Investments:

The Municipality collected more income when the money for Conditional Grants was deposited into a Call Deposit account.

Depreciation and Amortisation:

No adjusmtent budget was made for depreciation as the municipality did not compile the budget according to GRAP.

Impairment Losses:

No adjusmtent budget was made for the impairment of debt after the provision was made. The municipality did not compile the budget according to GRAP.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	-	-	-	-	-	-	94,334	94,334	94,334	0.00	0.00
Planning and Development	2,438,413	1,407,587	3,846,000	-	-	3,846,000	-	-	(3,846,000)	0.00	0.00
Community and Social Services	-	-	-	-	-	-	5,769,064	5,769,064	5,769,064	0.00	0.00
Waste Management	1,862,760	(1,668,400)	194,360	-	-	194,360	1,100,716	906,356	906,356	566.33	59.09
Roads and Transport	4,510,387	(2,633,943)	1,876,444	-	-	1,876,444	3,567,432	1,690,988	1,690,988	190.12	79.09
Waste Water Management	2,940,000	(904,052)	2,035,948	-	-	2,035,948	4,032,955	1,997,007	1,997,007	198.09	137.18
Electricity	-	2,912,135	2,912,135	-	-	2,912,135	736,297	-	(2,175,838)	25.28	0.00
Other	-	-	-	-	-	-	6,022	6,022	6,022	0.00	0.00
Total Capital Expenditure	**11,751,560**	**(886,672)**	**10,864,888**	**-**	**-**	**10,864,888**	**15,306,820**	**10,463,771**	**4,441,932**	**140.88**	**130.25**

Capital Expendirure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Waste Management:
Change in the Municipal Priorities after the adjusment occurred, therefore the expenditure occurred.
Roads and Transport:
Change in the Municipal Priorities after the adjusment occurred, therefore the expenditure occurred.
Water:
Change in the Municipal Priorities after the adjusment occurred, therefore the expenditure occurred.
Electricity:
Change in the Municipal Priorities after the adjusment occurred, therefore the expenditure occurred.

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	2,653,824	-	2,653,824	-	-	2,653,824	2,653,824	-	-	100.00	100.00
Grants	26,465,252	-	26,465,252	-	-	26,465,252	38,549,162	12,083,910	12,083,910	145.66	145.66
Public Contributions and Donations	-	-	-	-	-	-	25,750	25,750	25,750	0.00	0.00
Service Charges	25,796,997	(12,560,000)	13,236,997	-	-	13,236,997	13,735,170	498,173	498,173	103.76	53.24
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Interest Received	690,000	(51,000)	639,000	-	-	639,000	186,269	-	(452,731)	29.15	27.00
Other Receipts	-	-	-	-	-	-	5,542,020	5,542,020	5,542,020	0.00	0.00
Employee Related Costs	(21,511,515)	-	(21,511,515)	-	-	(21,511,515)	(21,511,515)	-	-	0.00	0.00
Remuneration of Councillors	(1,759,826)	-	(1,759,826)	-	-	(1,759,826)	(1,759,826)	-	-	0.00	0.00
Interest Paid	(260,000)	145,000	(115,000)	-	-	(115,000)	(95,879)	19,121	19,121	0.00	0.00
Suppliers Paid	(24,178,480)	9,004,000	(15,174,480)	-	-	(15,174,480)	(13,292,499)	1,881,980	1,881,980	0.00	0.00
Other Payments	(8,026,000)	-	(8,026,000)	-	-	(8,026,000)	(10,389,433)	-	(2,363,433)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(7,026,000)	-	(7,026,000)	-	-	(7,026,000)	(15,306,821)	-	(8,280,821)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	572,362	572,362	572,362	0.00	0.00
Decrease / (Increase) in Long-term Receivables	583,910	-	583,910	-	-	583,910	13,105	-	(570,805)	2.24	2.24
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	3,072,431	3,072,431	3,072,431	0.00	0.00
(Decrease) / Increase in Consumer Deposits	50,000	-	50,000	-	-	50,000	306,671	256,671	256,671	613.34	613.34
Loans repaid	(650,000)	-	(650,000)	-	-	(650,000)	(397,743)	252,257	252,257	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	**(7,171,838)**	**(3,462,000)**	**(10,633,838)**	**-**	**-**	**(10,633,838)**	**1,903,047**	**24,204,675**	**12,536,885**	**0.00**	**0.00**

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Grants
The municipalities system was also not previously GRAP Compliant, and was changed before the compliation of the AFS, therefore numerous budgeted differences are noted.
Service Charges
The municipality did not take into account the amount that was written off during the prior financial year. The municipalities system was also not previously GRAP Compliant, and was changed before the compliation of the AFS, therefore numerous budgeted differences are noted.
Decrease / (Increase) in Long-term Receivables:
Management incorrectly budgeted for long term receivables. This amount was corrected with the AFS compilation.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
Net surplus/(deficit) per the statement of financial performance	**10,175,542**		**(1,295,736)**
Revenue from Non-exchange Transactions			
Property Rates	870,067		2,337,964
Property Rates - Penalties imposed and collection charges	-		1,613,455
Fines	219,787		531,814
Licences and Permits	19,407		46,939
Revenue for Agency Services	432,920		603,460
Government Grants and Subsidies Received	(4,839,780)		(2,807,621)
Public Contributions and Donations	(1,500)		(25,750)
Revenue from Exchange Transactions			
Service Charges	7,396,408		11,710,946
Rental of Facilities and Equipment	110,236		(80,175)
Interest Earned - External Investments	(168,906)		(91,269)
Interest Earned - Outstanding Debtors	1,153,300		(685,617)
Dividends Received	-		-
Royalties Received	-		-
Other Revenue	4,781,480		(1,226,425)
Other Gains on Continued Operations	-		-
Gains on Disposal of Property, Plant and Equipment	-		-
Profit on Sale of Land	-		-
Expenditure			
Employee Related Costs	(1,032,234)		5,865,115
Remuneration of Councillors	(119,868)		(142,181)
Collection Costs	-		-
Depreciation and Amortisation	(9,774,830)		9,031,751
Impairment Losses	2,349,156		1,105,009
Repairs and Maintenance	304,162		2,414,037
Finance Costs	(115,019)		95,879
Bulk Purchases	(2,041,725)		(1,327,466)
Contracted Services	(1,030,986)		2,492,244
Grants and Subsidies Paid	(5,201,972)		(24,748,589)
Research and Development Costs	-		-
General Expenses	(14,434,843)		(2,288,246)
Other Losses on Continued Operations	-		-
Loss on Disposal of Property, Plant and Equipment	-		-
Net surplus/deficit per approved budget	**(10,949,200)**		**3,129,538**

SIYATHEMBA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2012			
Balance at 30 June 2011	-	233,018,386	233,018,386
Change in Accounting Policy (Note 36)		-	-
Correction of Error (Note 37)	-	2,300,864	2,300,864
Restated Balance	**-**	**235,319,250**	**235,319,250**
Surplus / (Deficit) for the year	-	(1,295,736)	(1,295,736)
Correction of Error (Note 37)	-	3,377,997	3,377,997
Balance at 30 June 2012	**-**	**237,401,511**	**237,401,511**
2013			
Change in Accounting Policy (Note 36)		-	-
Correction of Error (Note 37)		-	-
Restated Balance	**-**	**237,401,511**	**237,401,511**
Surplus / (Deficit) for the year	-	10,175,542	10,175,542
Balance at 30 June 2013	**-**	**247,577,053**	**247,577,053**
	-	(0.24)	(0.24)

Details on the movement of the Funds and Reserves are set out in Note 20.

SIYATHEMBA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	**21**	4,763,801	2,653,824
Government Grant and Subsidies	**22**	46,641,394	38,549,162
Public Contributions and Donations	**23**	1,500	25,750
Service Charges	**24**	14,606,247	13,735,170
Interest Received	**25**	313,906	186,269
Other Receipts		4,151,894	5,542,020
Payments			
Employee Related Costs	**27**	(26,374,112)	(21,511,515)
Remuneration of Councillors	**28**	(1,949,332)	(1,759,826)
Interest Paid	**31**	(665,103)	(95,879)
Suppliers Paid		(11,254,992)	(13,292,499)
Other Payments		(17,400,428)	(10,389,433)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**12,834,775**	**13,643,042**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**9**	(15,003,836)	(15,306,821)
Proceeds on Disposal of Property, Plant and Equipment		1,392,808	572,362
Profit on Sale of Land		-	-
Decrease / (Increase) in Long-term Receivables	**10**	16,987	13,105
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(13,594,042)**	**(14,721,354)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) / Increase in Consumer Deposits	**11**	64,867	306,671
New loans raised	**17**	-	3,072,431
Repayment of Borrowings	**17**	(471,139)	(397,743)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(406,272)**	**2,981,359**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**6**	**(1,165,539)**	**1,903,047**
Cash and Cash Equivalents at Beginning of Period		1,324,061	(578,986)
Cash and Cash Equivalents at End of Period		158,522	1,324,061

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments* .

1. BASIS OF PRESENTATION (continued)

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.
This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R5 177 728 and that of trade and other receivable from non exchange transactions to R627 521.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.
The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible asses, Heritage assets and Inventories

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year no impairments were made to Property, Plant and Euipment, intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that was identified is Post-retirement Health Benefit Obligations. The estimated liability is recorded in accordance with the requirements of IAS 19. Details of the liability and the key assumptions made by the actuaries in estimating the liability is provided in Notes 18 to the Annual Financial Statements.

1. BASIS OF PRESENTATION (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 10% 13,73% and and discounted to the present value:
a) For landfill sites with a remaining operating life of less than 15 years, at the average short term borrowing cost of 10%.
b) For landfill sites with a remaining operating life of greater than 20 years, at the average long-term treasury bond rate 13,73%.

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 20 Related Party Disclosures (Revised)
GRAP 25 Employee Benefits - issued December 2009
GRAP 105 Transfers between entities under common control - issued November 2010
GRAP 106 Transfers between entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in he standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
Financial Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

GRAP 18 - Segment Reporting
Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.
Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures
The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits
This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control
This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control
This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers
This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.
The following provisions are set for the creation and utilisation of the CRR:
• The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
• Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
• If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		***Buildings***	***30 - 100***
Roads and Paving	45 - 50		
Electricity	45 - 50	***Other***	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. Heritage Assets

` An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

1. INTANGIBLE ASSETS (continued)

5. 1 Initial Recognition (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the
cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
Intangible asset	
Software	3
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

6. INVESTMENT PROPERTY (continued)

6. 1 Initial Recognition (continued)

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

7. IMPAIRMENT OF ASSETS (continued)

7. 1. Impairment of Cash generating assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

7. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

▪ to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement . The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

8. FINANCIAL INSTRUMENTS (continued)

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method
Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:
Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:
(a) derivatives;
(b) combined instruments that are designated at fair value
(c) instruments held for trading.
(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities* , the classification determining how they are measured. Financial liabilities may be measured at:
(i) Financial liabilities measured at fair value or
(ii) Financial liabilities measured at amortised cost
(iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

8. FINANCIAL INSTRUMENTS (continued)

8. 2 Financial Liabilities - Classification (continued)

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

8. FINANCIAL INSTRUMENTS (continued)

8. 4 Impairment of Financial Assets (continued)

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:
▪ Interest earned on trust funds is allocated directly to the fund.
▪ Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

12. PROVISIONS (continued)

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post- employment benefit plan other than a defined contribution plan.

13. *3. 1 Post-retirement Health Care Benefits:*

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. *3. 2 Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

28. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

29. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:
▪ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
▪ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
▪ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
▪ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
▪ Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1. GENERAL INFORMATION

Siyathemba Municipality (the municipality) is a local government institution, Northern Cape Province, and is one of nine local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2013 R	2012 R
Maintenance Materials - at cost	562,869	428,107
Water - at cost	47,585	41,534
Total Inventories	**610,455**	**469,642**

Inventory has been restated to correct the Water and Maintenance stock at its correct value as at year end. Refer to Note 37.10 on "Correction of Error" for details of the restatement.

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R6,49 per kilolitre (2012: R4,58 per kilolitre).

Inventory to the value of R482 (2012: R0) was written off during the year. The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R74 630 (2012: R18 059).

Inventories of R488 239 (2012: R410 049) are expected to be utilised only after more than twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	24,615,741	20,479,272	4,136,468
Electricity	2,066,721	700,369	1,366,352
Refuse	2,038,509	1,788,943	249,567
Sewerage	7,628,606	6,946,719	681,887
Water	12,881,905	11,043,242	1,838,663
Other Receivables	2,675,274	2,339,912	335,362
Housing	33,763	-	33,763
Other Debtors	2,641,511	2,339,912	301,599
Total Receivables from Exchange Transactions	**27,291,015**	**22,819,184**	**4,471,831**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	18,989,346	15,806,458	3,182,888
Electricity	1,532,906	448,386	1,084,520
Refuse	1,510,846	1,529,888	(19,042)
Sewerage	6,571,691	5,320,913	1,250,778
Water	9,373,903	8,507,271	866,632
Other Receivables	2,032,835	1,834,998	197,837
Housing	27,921	-	27,921
Other Debtors	2,004,914	1,834,998	169,916
Total Receivables from Exchange Transactions	**21,022,181**	**17,641,456**	**3,380,725**

Receivables from Exchange Transaction has been restated (Note 37.11) to correctly classify the transaction between Exchange and Non-Exchange transactions.

	2013 R	2012 R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued):

Receivables from Exchange Transaction has been restated (Note 37.11) to correctly disclose the closing balance as at 2012 year end that was included incorrectly in the current years balance.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R590,677 by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Electricity:					
Gross Balances	963,845	159,921	126,627	816,328	2,066,721
Less: Provision for Impairment	-	-	-	700,369	700,369
Net Balances	**963,845**	**159,921**	**126,627**	**115,959**	**1,366,352**
Refuse:					
Gross Balances	99,993	54,230	50,382	1,833,904	2,038,509
Less: Provision for Impairment	-	-	-	1,788,943	1,788,943
Net Balances	**99,993**	**54,230**	**50,382**	**44,962**	**249,567**
Sewerage:					
Gross Balances	266,394	139,951	159,395	7,062,867	7,628,606
Less: Provision for Impairment	-	-	-	6,946,719	6,946,719
Net Balances	**266,394**	**139,951**	**159,395**	**116,148**	**681,887**
Water:					
Gross Balances	560,269	395,179	419,231	11,507,226	12,881,905
Less: Provision for Impairment				11,043,242	11,043,242
Net Balances	**560,269**	**395,179**	**419,231**	**463,984**	**1,838,663**
Other Receivables:					
Gross Balances	94,614	98,591	71,872	2,410,197	2,675,274
Less: Provision for Impairment				2,339,912	2,339,912
Net Balances	**94,614**	**98,591**	**71,872**	**70,286**	**335,362**

As at 30 June Receivables of R2,486,717 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	847,872	827,506	23,630,522	25,305,901
Less: Provision for Impairment	-	-	22,819,184	22,819,184
Net Balances	**847,872**	**827,506**	**811,338**	**2,486,717**

	2013 R	2012 R

3.1 Ageing of Receivables from Exchange Transactions (Continued):

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Electricity:					
Gross Balances	1,028,147	114,728	94,378	295,653	1,532,906
Less: Provision for Impairment	-	58,355	94,378	295,653	448,386
Net Balances	**1,028,147**	**56,373**	**-**	**(0)**	**1,084,520**
Refuse:					
Gross Balances	129,425	38,225	35,885	1,307,311	1,510,846
Less: Provision for Impairment	148,467	38,225	35,885	1,307,311	1,529,888
Net Balances	**(19,042)**	**-**	**-**	**(0)**	**(19,042)**
Sewerage:					
Gross Balances	332,103	93,003	85,496	6,061,089	6,571,691
Less: Provision for Impairment	-			5,320,913	5,320,913
Net Balances	**332,103**	**93,003**	**85,496**	**740,176**	**1,250,778**
Water:					
Gross Balances	1,253,165	229,540	246,157	7,645,041	9,373,903
Less: Provision for Impairment	386,533	229,540	246,157	7,645,041	8,507,271
Net Balances	**866,632**	**-**	**-**	**(0)**	**866,632**
Other Receivables:					
Gross Balances	107,989	45,070	44,788	1,834,988	2,032,835
Less: Provision for Impairment			10	1,834,988	1,834,998
Net Balances	**107,989**	**45,070**	**44,778**	**0**	**197,837**

As at 30 June Receivables of R1,064,896 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	520,566	506,704	17,144,082	18,171,352
Less: Provision for Impairment	326,120	376,430	16,403,906	17,106,456
Net Balances	**194,446**	**130,274**	**740,176**	**1,064,896**

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
Current:				
0 - 30 days	1,235,538	518,570	166,337	64,670
Past Due:				
31 - 60 Days	705,889	96,798	37,082	8,103
61 - 90 Days	658,627	138,760	24,299	5,820
+ 90 Days	21,837,965	1,366,659	259,711	166,187
Sub-total	24,438,019	2,120,787	487,429	244,780
Less: Provision for Impairment	21,129,664	1,300,819	228,110	160,592
Total Trade Receivables by Customer Classification	**3,308,356**	**819,967**	**259,320**	**84,188**

	2013 R	2012 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	17,641,456	16,509,066
All Consumer Debtors	17,641,456	16,509,066
Impairment Losses recognised	5,177,728	1,132,390
All Consumer Debtors	5,177,728	1,132,390
Impairment Losses reversed	-	-
All Consumer Debtors	-	-
Amounts written off as uncollectable	-	-
All Consumer Debtors	-	-
Amounts recovered	-	-
All Consumer Debtors	-	-
Balance at end of year	**22,819,184**	**17,641,456**

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, magement believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding for longer then 120 days. No further credit provision is required in excess of the Provision for Impairment.

3.4 Ageing of impaired Receivables from Exchange Transactions

Current:		
0 - 30 Days	-	535,000
Past Due:		
31 - 60 Days	-	326,120
61 - 90 Days	-	376,430
+ 90 Days	22,819,184	16,403,906
Total	**22,819,184**	**17,641,456**

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2013	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	10,620,972	9,504,681	1,116,291
Payments made in Advance	20,000	-	20,000
Sundry Deposits	26,389	-	26,389
Sundry Debtors	1,900,319	1,437,159	463,160
Suspense Accounts	40,106	-	40,106
Fruitless and Wasteful Expenditure	-	-	-
Irregular Expenditure	61,820	-	61,820
Unauthorised Expenditure	-	-	-
Total Receivables from Non-exchange Transactions	**12,669,605**	**10,941,840**	**1,727,765**

		2013 R	2012 R
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	10,254,840	8,877,387	1,377,453
Payments made in Advance	-	-	-
Sundry Deposits	25,033	-	25,033
Sundry Debtors	1,874,047	939,945	934,102
Suspense Accounts	33,015	-	33,015
Fruitless and Wasteful Expenditure	-	-	-
Irregular Expenditure	-	-	-
Unauthorised Expenditure	-	-	-
Total Receivables from Non-exchange Transactions	**12,186,935**	**9,817,332**	**2,369,603**

Receivables from Exchange Transaction has been restated (Note 37.11) to correctly classify the transaction between Exchange and Non-Exchange transactions.

Receivables from Exchange Transaction has been restated (Note 37.11) to correctly disclose the closing balance as at 2012 year end that was included incorrectly in the current years balance.

The average credit period for **Government Grants and Subsidies** is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	647,639	190,772	118,617	9,663,945	10,620,972
Less: Provision for Impairment	-	-	-	9,504,681	9,504,681
Net Balances	**647,639**	**190,772**	**118,617**	**159,264**	**1,116,291**
Payments made in Advance:					
Gross Balances	20,000	-	-	-	20,000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**20,000**	**-**	**-**	**-**	**20,000**
Sundry Deposits:					
Gross Balances	26,389	-	-	-	26,389
Less: Provision for Impairment	25,033	-	-	-	25,033
Net Balances	**1,356**	**-**	**-**	**-**	**1,356**
Sundry Debtors:					
Gross Balances	1,900,319	-	-	-	1,900,319
Less: Provision for Impairment	1,390,238	-	-	-	1,390,238
Net Balances	**510,081**	**-**	**-**	**-**	**510,081**
Suspense Accounts:					
Gross Balances	40,106	-	-	-	40,106
Less: Provision for Impairment	21,889	-	-	-	21,889
Net Balances	**18,217**	**-**	**-**	**-**	**18,217**

	2013 R	2012 R

4.1 Ageing of Receivables from Non-exchange Transactions(Continued):

Fruitless and Wasteful Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**
Irregular Expenditure:					
Gross Balances	61,820	-	-	-	61,820
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**61,820**	**-**	**-**	**-**	**61,820**
Unauthorised Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**

As at 30 June Receivables of R468,653 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	190,772	118,617	9,663,945	9,973,334
Less: Provision for Impairment	-	-	9,504,681	9,504,681
Net Balances	**190,772**	**118,617**	**159,264**	**468,653**

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Assessment Rates:					
Gross Balances	501,581	135,968	131,114	9,486,177	10,254,840
Less: Provision for Impairment	-	-	-	8,877,387	8,877,387
Net Balances	**501,581**	**135,968**	**131,114**	**608,790**	**1,377,453**
Sundry Deposits:					
Gross Balances	25,033	-	-	-	25,033
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**25,033**	**-**	**-**	**-**	**25,033**
Sundry Debtors:					
Gross Balances	1,874,047	-	-	-	1,874,047
Less: Provision for Impairment	939,945	-	-	-	939,945
Net Balances	**934,102**	**-**	**-**	**-**	**934,102**
Suspense Accounts:					
Gross Balances	33,015	-	-	-	33,015
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**33,015**	**-**	**-**	**-**	**33,015**
Fruitless and Wasteful Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**
Irregular Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**

				2013 R	2012 R
4.1 Ageing of Receivables from Non-exchange Transactions(Continued):					
Unauthorised Expenditure:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**-**	**-**	**-**	**-**	**-**

As at 30 June Receivables of R875,872 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	135,968	131,114	9,486,177	9,753,259
Less: Provision for Impairment	-	-	8,877,387	8,877,387
Net Balances	**135,968**	**131,114**	**608,790**	**875,872**

4.2 Summary of Assessment Rates Debtors by Customer Classification

As at 30 June 2013	**Household R**	**Industrial/ Commercial R**	**National and Provincial Government R**	**Other R**
Current:				
0 - 30 days	298,168	58,734	5,007	285,730
Past Due:				
31 - 60 Days	160,177	24,218	2,650	3,727
61 - 90 Days	101,259	12,166	2,015	3,177
+ 90 Days	9,026,349	544,021	93,575	-
Sub-total	9,585,953	639,139	103,248	292,633
Less: Provision for Impairment	8,926,900	532,811	44,971	-
Total Rates Debtors by Customer Classification	**659,053**	**106,328**	**58,277**	**292,633**

4.3 Reconciliation of Provision for Impairment	2013 R	2012 R
Balance at beginning of year	9,817,105	8,599,185
Other Debtors	939,945	694,818
Assessment Rates Debtors	8,877,160	7,904,367
Impairment Losses recognised	1,124,735	1,218,147
Other Debtors	497,214	245,127
Assessment Rates Debtors	627,521	973,020
Impairment Losses reversed	-	-
Other Debtors	-	-
Assessment Rates Debtors	-	-
Amounts written off as uncollectable	-	-
Other Debtors	-	-
Assessment Rates Debtors	-	-
Amounts recovered	-	-
Other Debtors	-	-
Assessment Rates Debtors	-	-
Balance at end of year	**10,941,840**	**9,817,332**

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

	2013 R	2012 R
5. VAT RECEIVABLE		
Vat Payable.		379,706
Vat Receivable.	214,687	
Vat Receivable	**214,687**	**-**

Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS		
Current Investments	-	-
Bank Accounts	157,722	1,323,261
Cash Floats and Advances	800	800
Total Bank, Cash and Cash Equivalents	**158,522**	**1,324,061**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Bank Accounts

Cash in Bank	2,813,727	1,721,278
Bank Overdraft	-	-
Total Bank Accounts	**2,813,727**	**1,721,278**

The Municipality has the following bank accounts:

Primary Bank Account
ABSA Bank - Prieska Branch - Account Number 40-5355-2997:

Cash book balance at beginning of year	(726,421)	(578,986)
Cash book balance at end of year	(601,120)	(726,421)
Bank statement balance at beginning of year	(328,404)	(477,645)
Bank statement balance at end of year	2,063,727	(328,404)

Call Account:
ABSA Bank - Prieska Branch - Account Number 92-0404-6778:

Cash book balance at beginning of year	2,049,682	754,950
Cash book balance at end of year	758,842	2,049,682
Bank statement balance at beginning of year	2,049,682	754,950
Bank statement balance at end of year	750,000	2,049,682

An amount of R2 813 727,29 (2012: R1 366 547) is attributable to Unspent Conditional Grants.

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances. Refer to Note 40 for any Finance Facilities that was avlailable at year end.

6.2 Cash and Cash Equivalents

Cash Floats and Advances	800	800
Other Cash Equivalents	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	**800**	**800**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

	2013 R	2012 R

6.2 Cash and Cash Equivalents (Continued):

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	16,330	14,991
Straight lining of Lease Revenue	1,730	1,339
Total Operating Lease Receivables	**18,060**	**16,330**

Operating Lease Receivables have been restated to correctly classiffy the prior year streight lining asset. Refer to Note 37.12 on "Correction of Errors" for details of the restatement.

7.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 25 (2011: 1 to 25) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R225 638 (2012: R263 638,15).

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	73,740	95,454
2 to 5 years	170,130	159,247
More than 5 years	73,598	37,566
Total Operating Lease Arrangements	**317,468**	**292,267**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R1,730 (2012: increase of R1,339) in current year income.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Housing Loans	16,987	14,044
Other Loans	-	-
Total Current Portion of Long-term Receivables	**16,987**	**14,044**

Current Portion of Long-Term Receivables have been restated to correctly classify the prior year straight lining asset. Refer to Note 37.13 on "Correction of Errors" for details of the restatement.

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 01 July 2012	**13,758,300**	**18,931,605**	**32,689,905**	**218,580,436**	**-**	**9,859,535**	**-**	**-**	**261,129,876**
Cost	13,758,300	19,942,000	33,700,300	261,214,180	-	12,264,963	-	-	307,179,443
- *Completed Assets*	*13,758,300*	*19,942,000*	*33,700,300*	*261,214,180*	-	*12,264,963*	-	-	*307,179,443*
- *Under Construction*	-	-	-	-	-	-	-	-	-
Correction of error (Note 37)	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(7,926)	-	-	-	-	(7,926)
Accumulated Depreciation:	-	(1,010,395)	(1,010,395)	(42,625,818)	-	(2,405,428)	-	-	(46,041,641)
- *Cost*	-	*(1,010,395)*	*(1,010,395)*	*(42,625,818)*	-	*(2,405,428)*	-	-	*(46,041,641)*
- *Revaluation*	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	15,003,836	-	-	-	-	15,003,836
Increases in Revaluation	-	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	**13,758,300**	**18,931,605**	**32,689,905**	**233,584,273**	**-**	**9,859,535**	**-**	**-**	**276,133,712**
Cost	13,758,300	19,942,000	33,700,300	276,218,017	-	12,264,963	-	-	322,183,279
- *Completed Assets*	*13,758,300*	*19,942,000*	*33,700,300*	*276,218,017*	-	*12,264,963*	-	-	*322,183,279*
- *Under Construction*	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(7,926)	-	-	-	-	(7,926)
Accumulated Depreciation:	-	(1,010,395)	(1,010,395)	(42,625,818)	-	(2,405,428)	-	-	(46,041,641)
- *Cost*	-	*(1,010,395)*	*(1,010,395)*	*(42,625,818)*	-	*(2,405,428)*	-	-	*(46,041,641)*
- *Revaluation*	-	-	-	-	-	-	-	-	-
				0.00					0.00

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 01 July 2011	**13,758,300**	**19,144,320**	**32,902,620**	**219,217,725**	**-**	**2,892,386**	**-**	**-**	**255,012,731**
Cost	13,758,300	19,942,000	33,700,300	253,373,306	-	4,168,540	-	-	291,242,146
- *Completed Assets*	*13,758,300*	*19,942,000*	*33,700,300*	*253,373,306*	-	*4,168,540*	-	-	*291,242,146*
- *Under Construction*	-	-	-	-	-	-	-	-	-
Correction of error (Note 37)	-	-	-	68,738	-	561,738	-	-	630,476
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
Accumulated Depreciation:	-	(797,680)	(797,680)	(34,224,319)	-	(1,837,892)	-	-	(36,859,891)
- *Cost*	-	*(797,680)*	*(797,680)*	*(34,224,319)*	-	*(1,837,892)*	-	-	*(36,859,891)*
- *Revaluation*	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	7,772,136	-	7,534,685	-	-	15,306,821
Increases in Revaluation	-	-	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	(7,926)	-	-	-	-	(7,926)
Depreciation:	-	(212,715)	(212,715)	(8,401,499)	-	(567,536)	-	-	(9,181,750)
- *Based on Cost*	-	*(212,715)*	*(212,715)*	*(8,401,499)*	-	*(567,536)*	-	-	*(9,181,750)*
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-	-
- *Based on Cost*	-	-	-	-	-	-	-	-	-
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	**13,758,300**	**18,931,605**	**32,689,905**	**218,580,436**	**-**	**9,859,535**	**-**	**-**	**261,129,876**
Cost	13,758,300	19,942,000	33,700,300	261,214,180	-	12,264,963	-	-	307,179,443
- *Completed Assets*	*13,758,300*	*19,942,000*	*33,700,300*	*261,214,180*	-	*12,264,963*	-	-	*307,179,443*
- *Under Construction*	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(7,926)	-	-	-	-	(7,926)
Accumulated Depreciation:	-	(1,010,395)	(1,010,395)	(42,625,818)	-	(2,405,428)	-	-	(46,041,641)
- *Cost*	-	*(1,010,395)*	*(1,010,395)*	*(42,625,818)*	-	*(2,405,428)*	-	-	*(46,041,641)*
- *Revaluation*	-	-	-	-	-	-	-	-	-
				0.00					0.00

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 36.1 on "Change in Accounting Policy" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

	2013 R	2012 R

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

9.3 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 17) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

9.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2011/12: R0) in the estimated useful life of various assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

Land and Buildings were revalued to fair value by using the municipal valuation roll. The effective date of revaluation was 01 July 2013. The valuation was done by DDP Valuators, registered and independent valuators. The NHBR indices, which indicate current building costs, were used to determine replacement

10 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Housing Loans	92,709	12,747	79,962
Other Loans	-	-	-
	92,709	12,747	79,962
Less: Current Portion transferred to Current Receivables:-			16,987
Housing Loans			16,987
Other Loans			-
Total Long-term Receivables			**62,976**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Housing Loans	106,754	10,544	96,209
Other Loans	-	-	-
	106,754	10,544	96,209
Less: Current Portion transferred to Current Receivables:-			14,044
Housing Loans	-	-	14,044
Other Loans	-	-	-
Total Long-term Receivables			**82,165**

Long-Term Receivables have been restated to correctly classify the prior year balance in accordance with the amortisation schedules. Refer to Note 37.13 on "Correction of Errors" for details of the restatement.

	2013 R	2012 R

HOUSING

As from 01 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

10.1 Ageing of Long-term Receivables

Current:		
0 - 30 days	293	293
Past Due:		
31 - 60 Days	293	293
61 - 90 Days	293	293
91 - 120 Days	293	293
+ 120 Days	12,887	9,372
Total	**14,059**	**10,544**

As at 30 June Long-term Receivables of R1,019 (2012: R0) were past due but not impaired. No terms for payment have been re-negotiaited. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	293	293
61 - 90 Days	293	293
+ 90 Days	293	293
+ 120 Days	12,887	9,372
Total	**13,766**	**10,251**

10.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	(10,544)	-
Impairment Losses recognised	(2,202)	(10,544)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	**(12,747)**	**(10,544)**

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Included in the Provision for Impairment relates to the housing loan provided to Mbokodo Stuurman Kapater with an outstanding balance of R30 276,00 (2012: R28 073,00) which were last serviced in 30 June 2009. The impairment recognised represents the difference between the current outstanding amount and the amount that would have been outstanding if all payments were received.

11 CONSUMER DEPOSITS

Electricity and Water	548,301	483,435
Total Consumer Deposits	**548,301**	**483,435**

Consumer Deposists have been restated to correct the the consumer deposits held at year end.. Refer to Note 37.13 on "Correction of Errors" for details of the restatement.

	2013 R	2012 R

11 CONSUMER DEPOSITS (Continued):

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

12 PROVISIONS

Performance Bonuses	-	-
Current Portion of Non-Current Provisions (See Note 19):	415,916	3,146,663
Long-term Service	415,916	386,430
Rehabilitation of Land-fill Sites	-	2,760,233
Total Provisions	**415,916**	**3,146,663**

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. No performance management system was in place resulting that no bonuses were accrued at the reporting date.

Current Portion of Non-Current Provisions:

30 June 2013	Long-term Service R	Land-fill Sites R
Balance at beginning of year	386,430	2,760,233
Transfer from non-current	29,486	-
Contributions to provision	-	-
Expenditure incurred	-	(2,760,233)
Reduction due to re-measurement	-	-
Balance at end of year	**415,916**	**-**

30 June 2012	Long-term Service R	Land-fill Sites R
Balance at beginning of year	-	-
Transfer from non-current	386,430	-
Contributions to provision	-	2,760,233
Expenditure incurred	-	-
Reduction due to re-measurement	-	-
Balance at end of year	**386,430**	**2,760,233**

13 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	8,183,254	4,941,097
Other Creditors	1,156,326	781,674
Total Payables	**9,339,580**	**5,722,771**

Payables from Exchange transactions have been restated to correctly classify accounts Payables from Exchange transactions. Refer to Note 37.11 on "Correction of Error" for details of the restatement.

	2013	2012
	R	R

13 PAYABLES FROM EXCHANGE TRANSACTIONS (Continued):

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, an arrangement was has been negotiated by the municipality to pay the money owed to the auditor general.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments Received In Advance	-	-
Staff Bonuses	945,347	786,329
Staff Leave	1,205,297	932,479
Task Evaluation	-	416,548
Sundry Deposits	-	-
Suspense Accounts	4,286,579	1,473,477
Total Payables	**6,437,223**	**3,608,833**

Payables from Non-Exchange transactions have been restated to correctly classify accounts Payables from Exchange transactions. Refer to Note 37.11 on "Correction of Error" for details of the restatement.

Furthermore, *Payables from Non-Exchange Transactions* have been restated to correctly classify amounts held for Staff Leave Accrual & Staff Bonus Accrual erroneously calculated in the previous financial year. Refer to Note 37.11 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government	**1,386,708**	**1,237,922**
National Government Grants	1,118,820	861,758
Provincial Government Grants	267,888	376,164
Local Government Grants	-	-
Other Spheres of Government	-	-
15.2 Other Conditional Receipts	**-**	**-**
Developers Contributions	-	-
Public Contributions	-	-
Total Conditional Grants and Receipts	**1,386,708**	**1,237,922**

Unspent Conditional Grants and Receipts have been restated to correctly disclose the outstanding grant balances as at year 30 June 2012 year end. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

	2013 R	2012 R
	2013 R	2012 R

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS (Continued):

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.
See Note 22 for the reconciliation of Grants from Government and Note 23 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

16 VAT PAYABLE

Vat Payable.	-	379,706
Vat Receivable.	217,241	-
Vat Payable	**-**	**379,706**

VAT Payable has been restated to correctly classify amounts receivable in terms of a VAT Revue performed. Refer to Note 37.12 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

17 LONG-TERM LIABILITIES

Finance Lease Liabilities	2,601,292	3,072,431
Other Loans	-	-
Sub-total	2,601,292	3,072,431
Less: Current Portion transferred to Current Liabilities:-	519,957	471,139
Finance Lease Liabilities	519,957	471,139
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	**2,081,336**	**2,601,292**

Long-term Liabilities have been restated to correctly classify amounts to be included in Long-term Liabilities. Refer to Note 37.3 on 'Correction of Error' for details of the restatement.

17.1 Summary of Arrangements

Finance Lease Liabilities relates to Machinery and Equipment with lease terms of 5 - 7 (2012: 5 - 7) years. The effective interest rate on Finance Leases is between 10,50% and Prime +1% (2012: 10,50% to Prime +1%). Capitalised Lease Liabilities are secured over the items of Machinery

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 7 years (2012: 7 years). The effective interest rate on Finance Leases is between 10.50% and Prime +1% (2012: 10.50% and Prime +1%).

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements in regards to the printers under lease agreement. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement in regards to the assets under finance lease agreement from ABSA Bank.

	2013 R	2012 R

17.2 Obligations under Finance Lease Liabilities (Continued):

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	901,244	745,889	516,272	464,001
In the second to fifth years, inclusive	2,013,773	2,473,694	1,734,412	1,861,456
Over five years	348,571	789,894	333,995	723,224
	3,263,588	4,009,477	2,584,680	3,048,680
Less: Future Finance Obligations	678,908	937,046		
Plus: Accrued Interest	16,613	23,751	16,613	23,751
Present Value of Minimum Lease Obligations	**2,601,292**	**3,096,182**	**2,601,292**	**3,072,431**
Less: Amounts due for settlement within 12 months (Current Portion)			519,957	471,139
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			2,081,336	2,601,292

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

	Gestetner	Nashua
(i) Office Equipment (Printers)	R 358,791	R 800,879
- Installments are payable quarterly in advance	No	No
- Average period outstanding	60 months	60 months
- Average effective interest rate	10.50%	10.50%
- Average quarterly installment	R 8,000.00	R 17,300.00

	315SJ 4X4 Backhoe Loader	CS533E XL Vibratory Soil Compactor	Nissan 12 4X2N
(ii) Vehicles	R 532,887	R 688,563	R 719,534
- Installments are payable monthly in arrears	Yes	No	No
- Average period outstanding	84 months	84 months	84 months
- Average effective interest rate, based on prime	Prime + 1%	Prime + 1%	Prime + 1%
- Average monthly installment	R 10,314.53	R 13,221.16	R 13,800.63

17.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiaited by the municipality.

18 RETIREMENT BENEFIT LIABILITIES

	2013 R	2012 R
18.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	5,789,995	4,834,793
Contributions to Provision	271,019	202,609
Increase due to Discounting	439,644	412,291
Expenditure incurred	(252,792)	(234,024)
Reduction due to Re-measurement	(40,843)	574,326
Balance at end of Year	6,207,023	5,789,995
Transfer to Current Provisions	-	-
Total Post-retirement Health Care Benefits Liabiltiy	**6,207,023**	**5,789,995**

Retirement Benefit Liabilities have been restated to correctly account for the liability at year end in accordance with the adjusted actuary report.. Refer to Note 37.15 on 'Correction of Error' for details of

18.1 Post-retirement Health Care Benefits Liability (Continued):

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2013 R	2012 R
In-service Members (Employees)	36	37
In-service Non-members (Employees)	123	104
Continuation Members (Retirees, widowers and orphans)	8	8
Total Members	**167**	**149**

The liability in respect of past service has been estimated as follows:

In-service (employee) members	2,374,330	2,314,880
In-service (employee) non-members	1,274,047	1,023,455
Continuation (retiree and widow) members	2,558,646	2,451,660
Total Liability	**6,207,023**	**5,789,995**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Alexander Forbes
- Bonitas
- Discovery
- Hosmed
- Keyhealth
- Samwumed

The total expense recognised in the Statement of Financial Performance of R1,327,455 (2012: R1,281,988) represents contributions payable to these Medical Aid Funds at rates specified in the rules of the plans. As at 2013, contributions of R124 265 (2012: R0) due in the current reporting period had not been paid over to the plans. These amounts were paid over subsequent to the balance sheet date.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.77%	7.76%
Health Care Cost Inflation Rate	7.91%	7.06%
Net Effective Discount Rate	6.41%	5.31%
Expected Replacement Ratio	65.00%	65.00%
Pre-retirement Mortality	SA85-90	SA85-90
Post-retirement Mortality	PA(90)	PA(90)
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	65	65

Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	5,789,995	4,834,793
Current service costs	271,019	202,609
Interest cost	439,644	412,291
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(252,792)	(234,024)
Actuarial losses / (gains)	(40,843)	574,326
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of the Year	**6,207,023**	**5,789,995**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**6,207,023**	**5,789,995**

18.1 Post-retirement Health Care Benefits Liability (Continued):

	2013 R	2012 R
Movements in the present value of the Defined Benefit Assets were as follows:		
Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	-	-
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	-	-
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Balance at the end of the year	**-**	**-**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6,207,023	5,789,995
Fair value of plan assets	-	-
	6,207,023	5,789,995
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	6,207,023	5,789,995
Unrecognised Past-service Cost	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	**6,207,023**	**5,789,995**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	271,019	202,609
Interest cost	439,644	412,291
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	(40,843)	574,326
Vested past service costs	-	-
Losses / (Gains) arising from cutailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Adjustment for Short-term Portion from Previous Year	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	**669,820**	**1,189,226**

The history of experienced adjustments is as follows:

	2013 R	2012 R
Present Value of Defined Benefit Obligation	6,207,023	5,789,995
Fair Value of Plan Assets	-	-
Deficit	**6,207,023**	**5,789,995**
Experienced adjustments on Plan Liabilities	417,028	-
Experienced adjustments on Plan Assets	-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost	62,281	45,091
Effect on the aggregate of the interest cost	68,056	60,509
Decrease:		
Effect on the aggregate of the current service cost	(49,019)	(35,809)
Effect on the aggregate of the interest cost	(55,444)	(49,591)

The municipality expects to make a contribution of R279 396 (2012: R252 792) to the Defined Benefit Plans during the next financial year.

19 NON-CURRENT PROVISIONS

	2013 R	2012 R
Provision for Long Service Awards	3,268,551	2,984,775
Provision for Rehabilitation of Land-fill Sites	4,028,170	3,638,888
Provision For Ex-Gratia Pension	1,605,178	1,319,516
Total Non-current Provisions	**8,901,899**	**7,943,179**

Non-current Provisions have been restated to include Long Service Awards as well as Ex- Gratia Pension. Refer to Note 37.15 on 'Correction of Error' for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

30 June 2013	Ex-Gratia Pension R	Long-service Awards R	Land-fill Sites R
Balance at beginning of year	1,319,516	3,371,205	6,399,121
Contributions to provision	-	330,940	-
Increase due to discounting	112,263	229,269	389,282
Expenditure incurred	(11,000)	(386,430)	-
Reduction due to re-measurement	184,399	139,483	-
	1,605,178	3,684,467	6,788,403
Transfer to current provisions	-	(415,916)	(2,760,233)
Balance at end of year	**1,605,178**	**3,268,551**	**4,028,170**

30 June 2012	Ex-Gratia Pension R	Long-service Awards R	Land-fill Sites R
Balance at beginning of year	1,223,768	3,187,097	6,048,015
Contributions to provision	104,884	315,683	-
Increase due to discounting	-	226,352	351,106
Expenditure incurred	(70,156)	(346,210)	-
Reduction due to re-measurement	61,020	(11,717)	-
	1,319,516	3,371,205	6,399,121
Transfer to current provisions	-	(386,430)	(2,760,233)
Balance at end of year	**1,319,516**	**2,984,775**	**3,638,888**

19.1 Long Service Awards

	2013 R	2012 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.24%	7.21%
Expected Return on Plan Assets	0.00%	0.00%
Expected Rate of Salary Increase	6.78%	5.56%
Expected Pre-retirement Mortality	SA85-90	SA85-90
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	65	65
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3,371,205	3,187,097
Current service costs	330,940	315,683
Interest cost	229,269	226,352
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(386,430)	(346,210)
Actuarial losses / (gains)	139,483	(11,717)
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of the Year	**3,684,467**	**3,371,205**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**3,684,467**	**3,371,205**

	2013 R	2012 R
19.1 Long Service Awards		
Movements in the present value of the Defined Benefit Assets were as follows:		
Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	-	-
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	-	-
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Balance at the end of the year	**-**	**-**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,684,467	3,371,205
Fair value of plan assets	-	-
	3,684,467	3,371,205
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	3,684,467	3,371,205
Past-service cost not recognised	-	-
Actuarial gains / (losses) not recognised	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	**3,684,467**	**3,371,205**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	330,940	315,683
Interest cost	229,269	226,352
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	139,483	(11,717)
Vested past service costs	-	-
Losses / (Gains) arising from cutailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	**699,692**	**530,318**
The history of experienced adjustments is as follows:		
Present Value of Defined Benefit Obligation	3,684,467	3,371,205
Fair Value of Plan Assets	-	-
Deficit	**3,684,467**	**3,371,205**
Experienced adjustments on Plan Liabilities	313,262	-
Experienced adjustments on Plan Assets	-	-
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost		
Effect on the aggregate of the interest cost	12,960	28,203
	2,031	4,966
Decrease:		
Effect on the aggregate of the current service cost	(11,740)	3,566
Effect on the aggregate of the interest cost	(1,169)	(1,769)

The municipality expects to make a contribution of R415 916 (2012: R386 430) to the defined benefit plans during the next financial year.

19.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality provided for the rehabilitation of Land-fill Sites in the 2013 financial year to the the amount of R2 760 233. The Long Term provisions below relates to the estimated decomitioning cost at the end of it's usefull life a provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

19.2 Rehabilitation of Land-fill Sites (Continued):

	Proposed Rehabilitation	2013 R	2012 R
Prieska	2027/2028	1,837,644	1,670,585
Marydale	2032/2033	774,690	681,179
Niekershoop	2027/2028	1,415,836	1,287,124
		4,028,170	**3,638,888**

19.3 Ex-Gratia Pension

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.81%	8.51%
Expected Return on Plan Assets	0.00%	0.00%
Expected Rate of Inflation	5.66%	5.86%
Expected Rate of Pension Increase	6.66%	6.86%
Expected Pre-retirement Mortality	SA85-90	SA85-90
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	65	65
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1,319,516	1,223,768
Current service costs	-	-
Interest cost	112,263	104,884
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	-	(70,156)
Actuarial losses / (gains)	173,399	61,020
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of the Year	**1,605,178**	**1,319,516**
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	**1,605,178**	**1,319,516**
Movements in the present value of the Defined Benefit Assets were as follows:		
Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	-	-
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	-	-
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Balance at the end of the year	**-**	**-**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1,605,178	1,319,516
Fair value of plan assets	-	-
	1,605,178	1,319,516
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	1,605,178	1,319,516
Past-service cost not recognised	-	-
Actuarial gains / (losses) not recognised	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	**1,605,178**	**1,319,516**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	-
Interest cost	112,263	104,884
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	173,399	61,020
Vested past service costs	-	-
Losses / (Gains) arising from cutailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note)	**285,662**	**165,904**

20 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2013 R	2012 R
Accumulated Surplus / (Deficit) due to the results of Operations	247,577,054	237,401,511
Total Accumulated Surplus	**247,577,054**	**237,401,511**

Accumulated Surplus has been restated to correctly classify a number of account balances. Refer to Note 37.1 the following 'Correction of Error' note for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21 PROPERTY RATES

	Property Valuations July 2013 R000's	Property Valuations July 2012 R000's
Residential	168,619	160,332
Commercial	46,775	37,843
Municipal	430,468	43,134
Agricultural	1,030,122	431,785
State	33,581	33,561
Total Property Rates	**1,709,566**	**706,656**
Property Rates:		
Residential	6,304,183	4,687,033
Commercial	-	-
Agricultural	-	-
State	-	-
Municipal	-	-
Less: Rebates	(1,174,249)	-
Total Property Rates	**5,129,933**	**4,687,033**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009. A general valuation has been performed during the financial year and will be applied with effect 1 July 2013.

An general rate is applied as follows to property valuations to determine property rates:
- Residential Properties: 2.317 c (2011/12: 2.195 c)
- Commercial: 3.013 c (2011/12: 2.853 c)
- Agricultural: 0,050 c (2011/12: 0,048 c)
- State: 4.635 c (2011/12: 4.389 c)
- Municipal: 0 c (2011/12: 0 c)

A rebate of R 15,000.00 on the property value was allowed on residential properties, a discount of 20,00% (2011/12: 20,00%) was granted on properties owned by the State and a discount of 30,00% (2011/12: 30,00%) on Agricultural properties.

Rates are levied monthly on property owners and are payable the 15th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

22 GOVERNMENT GRANTS AND SUBSIDIES

	2013 R	2012 R
Operational Grants		
National Equitable Share	20,108,000	17,829,000
Other Subsidies	-	-
	20,108,000	17,829,000
Conditional Grants	26,682,180	20,302,760
National: EPWP	1,254,926	277,240
National: FMG	1,500,000	1,450,000
National: MIG	11,973,388	10,246,000
National: MSIG	800,000	790,000
National: DWA	9,501,090	5,247,843
National: Energy	1,200,000	-
Provincial: Department Sport and Agriculture	452,776	352,205
Provincial: Department Transport	-	1,939,472
Total Government Grants and Subsidies	**46,790,180**	**38,131,760**

	2013 R	2012 R
22 GOVERNMENT GRANTS AND SUBSIDIES (Continued):		
Government Grants and Subsidies:		
Conditional Grants - Capital	13,667,010	13,898,051
Conditional Grants - Operational	13,015,170	6,404,709
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	20,108,000	17,829,000
Total Government Grants and Subsidies	**46,790,180**	**38,131,760**
Summary of Transfers:		
Conditions met - transferred to Revenue: Capital Expenses	13,667,010	13,898,051
Conditions met - transferred to Revenue: Operating Expenses	13,015,170	6,404,709
Total Transfers	**26,682,180**	**20,302,760**

Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 37.2 for details of the restatement.

Operational Grants:

22.1 National: Equitable Share	**20,108,000**	**17,829,000**

"In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All indigent households receive 6 kl water, 50 kWh electricity, refuse and sewage removal free every month. No funds have been withheld."

Conditional Grants:

22.2 National: EPWP Grant

Balance unspent at beginning of year	254,926	3,166
Current year receipts	1,000,000	529,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,254,926)	(277,240)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**0**	**254,926**

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds have been withheld.

22.3 National: FMG Grant

Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	1,450,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,500,000)	(1,450,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

22.4 National: MIG Funds

Balance unspent at beginning of year	735,457	735,457
Current year receipts	11,694,000	10,246,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(11,973,388)	(10,246,000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**456,070**	**735,457**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R735 000 (2012: R0) has been withheld in the current year.

22.5 National: MSIG Funds

Balance unspent at beginning of year	(0)	-
Current year receipts	800,000	790,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(758,880)	(681,287)
Conditions met - transferred to Revenue: Capital Expenses	(41,120)	(108,713)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**0**	**(0)**

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been

	2013 R	2012 R

22 GOVERNMENT GRANTS AND SUBSIDIES (Continued):

22.6 National: Department Water Affairs (DWA)

Balance unspent at beginning of year	(128,625)	(425,284)
Current year receipts	7,792,465	5,544,503
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(9,105,087)	(3,652,972)
Conditions met - transferred to Revenue: Capital Expenses	(396,003)	(1,594,872)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**(1,837,250)**	**(128,625)**

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment&upgrade of water infrastructure, and the purchase of a new sewerage truck in 2012. No funds have been withheld.

22.7 National: Department Energy

Balance unspent at beginning of year	-	-
Current year receipts	1,200,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1,200,000)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**-**	**-**

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No Funds have been withheld.

22.8 National: Department of Public Works

Balance unspent at beginning of year	-	-
Current year receipts	2,500,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**2,500,000**	**-**

This grant was received for the maintenance upgrades required on the community centres owned by the Municipality.

22.9 Provincial: Department Sport, Arts and Agriculture

Balance unspent at beginning of year	189,795	-
Current year receipts	344,500	542,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(396,277)	(343,210)
Conditions met - transferred to Revenue: Capital Expenses	(56,499)	(8,995)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**81,518**	**189,795**

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

22.10 Provincial: Department Transport

Balance unspent at beginning of year	186,369	520,650
Current year receipts	-	1,605,191
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(1,939,472)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	**186,369**	**186,369**

The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

22.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

23 PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions:	-	-
Unconditional Contributions	-	-
Other Donations	1,500	25,750
Total Public Contributions and Donations	**1,500**	**25,750**

	2013 R	2012 R

23 PUBLIC CONTRIBUTIONS AND DONATIONS

Reconciliation of Conditional Public Contributions and Donations:		
- BVI	-	5,000
- Procon	-	750
- Khweza Power	-	20,000
- Prieska Meubels	1,500	-
	1,500	**25,750**

These donations were received from suppliers and had no conditions attached and could therefore be used at the discretion of the Municipality.

24 SERVICE CHARGES

Sale of Electricity	11,761,609	10,074,826
Sale of Water	7,481,192	4,908,852
Refuse Removal	1,952,727	1,525,065
Sewerage and Sanitation Charges	5,386,768	4,677,967
	26,582,295	21,186,710
Less: Rebates	(5,707,214)	(5,324,854)
Total Service Charges	**20,875,082**	**15,861,856**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25 INTEREST EARNED

External Investments:		
Bank Account	313,906	186,269
Other Deposits	-	-
	313,906	**186,269**
Outstanding Debtors:		
Outstanding Billing Debtors	583,803	1,320,090
	596,700	**1,335,617**
Total Interest Earned	**910,606**	**1,521,886**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Avaliable-for-Sale Financial Assets	-	-
Held-to-Maturity Investments	313,906	186,269
Loans and Receivables	596,700	1,335,617
	910,606	1,521,886
Interest Earned on Non-financial Assets	-	-
	910,606	**1,521,886**

Revenue recognised in respect of Financial Assets designated as at 'fair value' is disclosed in Note 45.

26 OTHER REVENUE

Administration Fees	4,878	36,124
Bad Debt Recoverable	459	473
Building Plan Fees	45,761	11,380
Certificates and Copies	423	1,203
Charges for Installation	156,031	56,637
Charges for re -Installation	6,320	59,285
Garden Refuge and Garbage	49,690	39,072
Internal Recoveries	912,605	1,289,826
Sale of Sand	1,164	914
Burial Fees	23,122	25,792
Valuation Certificate	23,668	18,932
SETA Income	116,054	35,496
Insurance	584,757	-
MTN Tower Rental	34,237	-
Sundry Income	122,756	110,174
Interdepartmental Charges	-	-
Recovery of Unauthorised, Irregular and Fruitless & Wasteful Expenditure (see Note 42)	-	-
Total Other Revenue	**2,081,927**	**1,685,308**

Other Revenue have been restated to correctly classify revenue previously erroneously recognised as Other Revenue. Refer to Note 40.6 for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 25, rendered which are billed to or paid for by the users as the services are required

	2013 R	2012 R
27 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	19,603,684	18,372,369
Basic Salaries and Wages	17,626,737	16,014,234
Long Service Bonuses	345,463	315,683
Service Bonuses	1,631,483	2,042,452
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3,716,906	3,220,706
Medical	492,571	494,415
Pension	2,781,998	2,345,831
Industrial Council Levy	10,623	22,132
UIF	180,145	122,985
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1,674,240	1,280,980
Allowances	1,674,240	1,280,980
Housing Benefits and Allowances	60,123	78,623
Overtime Payments	1,243,091	1,172,764
Performance Bonuses	546	-
Defined Benefit Plan Expense:	1,792,279	1,982,480
Current Service Cost	601,959	389,442
Interest Cost	907,281	984,484
Net Actuarial (gains)/losses recognised	283,039	608,554
Less: Employee Costs allocated to Property, Plant and Equipment	-	-
Less: Employee Costs included in Other Expenses	-	-
Total Employee Related Costs	**28,090,868**	**26,107,922**

Employee Related Costs have been restated to correctly classify expenditure incurred. Refer to Note 37.2 on 'Correction of Error' for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 10.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager		
Annual Remuneration	124,025	519,776
Performance Bonus	-	-
Car and Other Allowances	29,309	143,326
Company Contributions to UIF, Medical and Pension Funds	37,380	98,475
Travel Reimbursed	108,520	67,947
Total	**299,233**	**829,523**

The post was vacant from 1 May 2012 to 31 March 2013. An acting allowance was paid for the period 1 August 2012 to 30 November 2012.

Remuneration of the Chief Financial Officer		
Annual Remuneration	688,573	638,487
Performance Bonus	-	-
Car and Other Allowances	69,750	93,000
Company Contributions to UIF, Medical and Pension Funds	38,259	38,950
Travel Reimbursed	80,382	87,142
Total	**876,964**	**857,579**

The post was vacant as from 01 April 2013 and will be advertised in the new financial year.

Remuneration of the Manager: Technical Services		
Annual Remuneration	441,250	409,500
Performance Bonus	-	-
Car and Other Allowances	98,067	95,820
Company Contributions to UIF, Medical and Pension Funds	105,354	94,382
Travel Reimbursed	22,040	25,649
Total	**666,710**	**625,352**

The following compensation was payable to key management personnel in terms of IAS 19 as at 30

Staff Leave Benefits:-		
Municipal Manager	9,187	-
Chief Financial Officer	-	-
Manager: Technical Services	59,738	47,177
Total	**68,925**	**47,177**

28 REMUNERATION OF COUNCILLORS		
Speaker	366,625	333,890
Councillors	1,162,068	953,360
Company Contributions to UIF, Medical and Pension Funds	95,290	30,524
Group Life Insurance	-	-
Medical Aid	-	-
Pension Fund	94,220	26,347
UIF	1,070	2,809
Skills Development Levy	-	1,368
Other Allowances (Cellular Phones, Housing, Transport, etc)	325,348	442,052
Telephone Allowance	106,128	99,812
Travelling Allowance	219,220	342,240
Total Councillors' Remuneration	**1,949,332**	**1,759,826**

	2013 R	2012 R

28 REMUNERATION OF COUNCILLORS (Continued):

Remuneration of Councillors:

In-kind Benefits
The Councillors occupying the positions of Speaker serves full-time and the committee members are part time. The speaker is provided with office accommodation and secretarial support at the expense of the municipality in order to enable him to perform his official duties.

29 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	-	9,181,751
Amortisation: Intangible Assets	-	-
Total Depreciation and Amortisation	**-**	**9,181,751**
Depreciation and Amortisation:		
Amortisation: Intangible Assets	-	-
Depreciation: Property, Plant and Equipment	-	9,181,751
Total Depreciation and Amortisation	**-**	**9,181,751**

Depreciation and Amortisation will be reviewed in 2014 to correctly disclose the expense. This balance will then be corrected with a "Correction of Error" Note.

30 IMPAIRMENT LOSSES

30.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
Heritage Assets	-	-
Impairment Losses Reversed:	-	7,926
Property, Plant and Equipment	-	7,926
Intangible Assets	-	-
Investment Property	-	-
Heritage Assets	-	-
	-	**7,926**

30.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	6,304,666	2,361,081
Long-term Receivables	2,202	10,544
Receivables from Exchange Transactions	5,177,728	1,132,390
Receivables from Non-exchange Transactions	1,124,735	1,218,147
Investments	-	-
Loans carried at Amortised Cost	-	-
Impairment Losses Reversed:	-	-
Long-term Receivables	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
Investments	-	-
Loans carried at Amortised Cost	-	-
	6,304,666	**2,361,081**
Total Impairment Losses	**6,304,666**	**2,369,007**

31 FINANCE COSTS

Bank Overdraft	-	-
Creditors Overdue	1,071	10,000
Finance Leases	76,745	-
Landfill Provision	389,282	-
Loans and Payables at amortised cost	198,006	43,091
Other	-	42,787
Total Interest Expense	665,103	95,879
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	**665,103**	**95,879**

Finance Costs have been restated to correctly classify expenditure incurred for Finance Costs, previously included in General Expenses. Refer to Note 39.2 on "Correction of Error" for details of the

The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2012: 5,24% per annum).

	2013 R	2012 R

32 BULK PURCHASES

Electricity	11,070,703	8,774,981
Water	205,182	670,560
Total Bulk Purchases	**11,275,885**	**9,445,542**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Department of Water Affairs.

33 CONTRACTED SERVICES

External Audit	-	-
Internal Audit	-	-
Insurance	503,979	989,736
Joint Service Contribution	-	6,975
Lease Agreement	-	17
Legal Cost & Advice	46,072	8,640
Professional Fees	1,625,497	249,294
Copiers Rental	1,168,062	1,237,582
Councillors Cell Phone Contracts	65,941	-
SMS Line	4,593	-
Valuation Services	-	-
Water Purification	-	-
Other Contracted Services	-	-
Total Contracted Services	**3,414,145**	**2,492,244**

34 GRANTS AND SUBSIDIES PAID

Community Projects	442,502	200,341
Free Basic Services	6,262	-
Other Grants and Subsidies Paid	-	6,260
Total Grants and Subsidies	**448,765**	**206,601**

Furthermore, *Grants and Subsidies Paid* have been restated to correctly classify expenditure incurred for Grants and Subsidies Paid, that was part of General Expenses and not a Grant or Subsidiries. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

Community Projects are in respect of community cultural, health, social and educational programs within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

35 GENERAL EXPENSES

Included in General Expenses are the following:

Accident Insurance	-	-
Administration Costs	-	566
Advertising, Copies & Stationary	457,544	394,840
Affiliation Fees	4,058	197,428
Alarm	10,768	30,968
Audit Fees	4,794,890	1,447,331
Bank Charges	166,516	141,123
Cleaning Material	-	-
Contribution Community Awareness	11,400	270,640
Contribution Learners License	114	-
Compensation Commissioner	80,385	-
Delegation and Traveling	547,541	514,999
Information Technology	345,967	217,521
Library Current Awareness	27,574	9,293
Library Other	1,420	200
Licensing	-	9,324
Medical Check Ups	34,362	300
Planning and Surveyors Costs	69,840	15,331
Promotion and Outreach Expenditure	18,492	-
Recovery of Outstanding Debt	1,089	-
Registation Fees	-	-
Sanitation and Sewerage	16,138	8,000
Staff Training Programmes	23,850	54,160
Telephone and Postal Fees	-	-
Uniform and Overalls	188,078	143,990
Vehicle Fuel and Oil	809,655	-
Ward Committee Expenditure	45,184	34,181
Inter Departmental Transfers	903,793	1,281,826
Sundry Expenses	3,404,750	6,285,750
Total General Expenses	**11,963,412**	**11,057,774**

	2013 R	2012 R

35 GENERAL EXPENSES

Furthermore, *General Expenses* have been restated to correctly classify expenditures. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Sundry Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services

The amounts disclosed above for Sundry expenses also includes Conditional Grant Expenditures that have not been classified into its individual expense components.

35.1 Material Losses	**4,447,336**	**3,852,272**
Robberies	50,822	12,000
Distribution Losses:		
Electricity Losses	1,686,471	1,528,992
Water Losses	2,710,043	2,311,280

The amounts disclosed above for Electricity and Water Losses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 43.9).

No other extra-ordinary expenses were incurred.

36 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2013:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)
- GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 06 Consolidated and Separate Financial Statements
- GRAP 07 Investments in Associates
- GRAP 08 Interests in Joint Ventures
- GRAP 09 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 18 Segment Reporting
- GRAP 21 Impairment of Non-cash-generating Assets
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash-generating Assets
- GRAP 100 Non-current Assets Held-for-Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 14 Segment Reporting
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

GRAP 24 - Presentation of Budget Information in Financial Statements
The Standard has been inspected and it has been found that the Standard must be applied prospectively. There is therefore no effect on prior year (comparative) figures and no retrospective adjustment is required.

GRAP 26 - Impairment of Cash-generating Assets
The Standard has been inspected and it has been found that the Standard must be applied prospectively. There is therefore no effect on prior year (comparative) figures and no retrospective adjustment is required. The recognition and measurement criteria included in the Standard will be used when (and if) cash-generating assets are impaired.

GRAP 103 - Heritage Assets
The municipality elected to prepare its Accounting Policies for *Heritage Assets* in terms of GRAP 103 for the financial year 2011/12. The full net assets have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated.

	2013 R	2012 R

36.1 Reclassification of Property, Plant & Equipment and Heritage Assets

The prior year figures of Property, Plant & Equipment and Heritage Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 103.

The effect of the Change in Accounting Policy is as follows:

	Property, Plant & Equipment	Heritage Assets
Balances published as at 30 June 2012	**261,129,876**	**-**
Transfer Heritage Assets	-	-
Restated Balances as at 30 June 2012	**261,129,876**	**-**

GRAP 104 - Financial Instruments
The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

36.2 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2010.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Long-term Receivables				
Housing Loans	Loans and receivables	Amortised cost	82,165	82,165
Receivables from Exchange Transactions				
Electricity	Loans and receivables	Amortised cost	1,084,520	1,084,520
Refuse	Loans and receivables	Amortised cost	(19,042)	(19,042)
Sewerage	Loans and receivables	Amortised cost	1,250,778	1,250,778
Water	Loans and receivables	Amortised cost	866,632	866,632
Other Debtors	Loans and receivables	Amortised cost	197,837	197,837
Receivables from Non-exchange Transactions				
Assessment Rates Debtors	Loans and receivables	Amortised cost	1,377,453	1,377,453
Sundry Deposits	Loans and receivables	Amortised cost	25,033	25,033
Sundry Debtors	Loans and receivables	Amortised cost	934,102	934,102
Accruals	Loans and receivables	Amortised cost	33,015	33,015
Cash and Cash Equivalents				
Bank Balances	Available for sale	Fair value	1,721,278	1,721,278
Cash Floats and Advances	Available for sale	Fair value	800	800
Current Portion of Long-term Receivables				
Housing Loans	Loans and receivables	Amortised cost	14,044	14,044
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	2,601,292	2,601,292
Other Loans	Financial liabilities at amortised cost	Amortised cost	-	-
Payables				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	4,941,097	4,941,097
Staff Bonuses	Financial liabilities at amortised cost	Amortised cost	786,329	786,329
Staff Leave Accrued	Financial liabilities at amortised cost	Amortised cost	932,479	932,479
Staff Salaries	Financial liabilities at amortised cost	Amortised cost	-	-
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	1,473,477	1,473,477
Other Creditors	Financial liabilities at amortised cost	Amortised cost	781,674	781,674
Bank Overdraft				
Bank Overdraft	Financial liabilities at amortised cost	Fair value	-	-
Current Portion of Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	471,139	471,139
Other Loans	Financial liabilities at amortised cost	Amortised cost	-	-

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

37 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

	2013 R	2012 R

37.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2011		**233,018,386**
Change in Accounting Policy:-		
Correction of Error:-		
Correction Unspent Housing Grant - Note 37.2	349,669	
Correction Unspent DWAF Grant - Note 37.2	471,665	
Correction of Housing Loan Balance - Note 37.3	(761)	
Correction of Sundry Debtors Receipt - Note 37.10	(112,889)	
Clearing Accounts never Cleared Payables from Exchange transactions - Note 37.10	1,342,924	
Clearing Accounts never Cleared Payables from Exchange transactions - Note 37.10	250,257	
		2,300,864
Restated Balances as at 30 June 2011		**235,319,250**
Profit/Loss previously reported 2011/12		(1,091,335)
Change in Accounting Policy:-		
Correction of Error:-		
Reclassify Infrastructure Asset Incorrectly Expensed - Note 37.4	68,847	
Correcting the Operating Lease Asset - Note 37.8	(1,219)	
Reclassify Unspent FMG Grant - Note 37.2	289,063	
Reclassify Unspent DWAF Grant - Note 37.2	(608,850)	
Reclassify Unspent EPWP Grant - Note 37.2	(521)	
Reclassify Unspent Library Grant - Note 37.2	(189,795)	
Reclassify Infrastructure Asset Incorrectly Capitalised - Note 37.4	(47)	
Reclassify Infrastructure Asset Incorrectly Capitalised - Note 37.4	(60)	
Reclassify Unspent Transport Grant - Note 37.2	238,181	
Total effect on the Income statement		(204,401)
Prior period error corrected correction of Non Exchange Transactions - Note 37.10	269,081	
Availability Fees Debtors corrected after investigation - Note 37.10	(888,053)	
Correction of Dog Tax balance after investigation of Consumer Deposits- Note 37.13	(1,446)	
Correction of Dog Tax balance after investigation of Consumer Deposits- Note 37.13	1,069	
Correction of Amount Paid not Cleared - Note 37.10	734,439	
Correction VAT balances - Note 37.6	(2,877,513)	
Adjusting the balances on Cash Suspense Accounts - Note 37.10	1,456,925	
Adjusting the balances on Payables Accounts - Note 37.10	1,172,624	
Correction of prior period error Retirement Benefit Liabilities - Note 37.14	(390,657)	
Adjusting the balances on Inventory Accounts - Note 37.9	150,871	
Correction of Account Payable from Exchange Transactions - Note 37.10	3,750,656	
Restated Balances as at 30 June 2012		**237,401,511**

37.2 Reclassify Unspent Conditional Grant

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the DWAF balance outstanding at 30 June 2011.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the Housing Grant utelised in the 30 June 2011 financial years.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the FMG grant as the grant was fully spent at 30 June 2012.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the DWAF balance outstanding at 30 June 2012.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the EPWP grant as the grant was not spent as reported in the 30 June 2012 financial year.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the Library grant as the grant was not fully spent as reported in the 30 June 2012 financial year.

The opening balances of Unspent Conditional Grant and Accumulated Surplus have been restated to correctly disclose the Department Transport grant as the grant was not spent as disclosed in the 30 June 2012 financial year.

The effect of the Correction of Error is as follows:

		DWAF	Housing Grant
Balances published as at 30 June 2011	**1,655,323**	46,381	349,669
Correction of Housing Grant opening balance	(349,669)		(349,669)
Correction of DWAF opening balance	(471,665)	(471,665)	
Restated Balances as at 30 June 2011	**833,989**	**(425,284)**	**-**

		2013 R		2012 R
		FMG	DWAF	Housing Grant
Amount per AFS previously published for 2011/12	**1,787,334**	**289,063**	**(265,810)**	**349,669**
Correction of Error for the Year 30 June 2011	(821,334)	-	(471,665)	(349,669)
Correction of Error grant transferred to revenue	271,923	(289,063)	608,850	-
Restated Amount currently disclosed for 2011/12	**1,237,923**	**-**	**(128,625)**	**-**

	EPWP	Library	Transport
Amount per AFS previously published for 2011/12	**254,405**	**-**	**424,550**
Correction of Error for the Year	-		
Correction of Error grant transferred to revenue	521	189,795	(238,181)
Restated Amount currently disclosed for 2011/12	**254,926**	**189,795**	**186,370**

37.3 Correction of the Sundry Debtors Balance

The opening balances of Long term Receivables was incorrectly calculated and an adjusted was made to retained earnings. The split between current and non-current assets were also not disclosed correctly, refer below for changes:

The effect of the Correction of Error is as follows:

	Current Portion Of Long-Term Receivables	Long-Term Receivables
Amount per AFS previously published for 2011/12	**27,972**	**68,998**
Correction of current and long-term allocation	(13,928)	13,928
Correction of prior period calculation error		(761)
Restated Balances as at 30 June 2012	**14,044**	**82,165**

37.4 Correcion of Property Plant and Equipment

An amount of R68 847 relating to High Mast Lighting was incorrectly expensed during the prior year and should have been included in Property Plant and Equipment.

An amount of R107 relating to amounts incorrectly capitalised during the prior year and should have been included in the Incomes Statement Expenses as Bank Charges.

The Finance Lease on printers was not capitalised to Property Plant and Equipment at the correct amount and the Finance lease amount was therefore capitalised to correct the finance lease as well as Property Plant and Equipment Balance at year end.

The effect of the Correction of Error is as follows:

	Property Plant and Equipment
Amount per AFS previously published for 2011/12	**260,499,399**
Correction of Infrastructure asset incorrectly expensed	68,847
Correction of Infrastructure asset incorrectly capitalised	(107)
Correction of Office Equipment asset incorrectly capitalised	561,738
Restated Balances as at 30 June 2012	**261,129,876**

37.5 Reclassification and Corrections made to the Statement of Financial Position

The prior year figures of Government Grants and Subsidiaries revenue was corrected by moving amount included in the expense the to the related revenue accounts.

The prior year figures of Government Grants and Subsidiaries revenue was corrected by moving Other Income amounts included in expenses to the Other Income Line item.

Furthermore, the prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error in Revenue is as follows:

	2011/12 Revenue	Restated Revenue	Variance Amount
Property Rates	4,687,033	4,687,033	0
Fines	65,159	65,159	0
Licences and Permits	561	561	(0)
Agency Services	1,126,540	1,126,540	(0)
Government Grants and Subsidies Received	38,441,682	38,131,761	309,921
Public Contributions and Donations	25,750	25,750	-
Service Charges	15,861,856	15,861,856	(0)
Rental Of Facilities And Equipment	706,564	705,345	1,219
Interest Earned - External Investments	186,269	186,269	(0)
Interest Earned - Outstanding Debtors	1,320,090	1,335,617	(15,527)
Other Revenue	35,496	1,685,308	(1,649,812)
Other Income	328,501	-	328,501
	62,785,501	**63,811,198**	**(1,025,697)**

	2013 R	2012 R

The effect of the Correction of Error in Expenditure is as follows:

	- Expenditure	Restated Expenditure	Variance Amount
Employee Related Costs	24,453,512	26,107,922	(1,654,410)
Remuneration of Councillors	1,821,438	1,759,826	61,612
Depreciation and Amortisation	9,181,751	9,181,751	0
Impairment Losses	2,345,360	2,345,359	1
Repairs and Maintenance	2,365,934	2,414,037	(48,103)
Actuarial Losses	729,798	-	729,798
Finance Costs	1,070,363	95,879	974,484
Bulk Purchases	9,445,542	9,445,542	0
Contracted Services	-	2,492,244	(2,492,244)
Grants and Subsidies Paid	6,260	206,601	(200,341)
Operating Grant expenditure	6,179,054	-	6,179,054
General Expenses	6,277,824	11,057,774	(4,779,950)
	63,876,836	**65,106,935**	**(1,230,099)**
	-1,091,335	-1,295,736	204,401

37.6 Correction of Value added tax balance

VAT Payable has been restated to correctly classify amounts receivable in terms of a VAT Revue performed.

The effect of the Correction of Error is as follows:

	VAT Payable
Amount per AFS previously published for	2,497,806
Correction of opening balance	(2,877,513)
Restated Balances as at	**379,706**

37.7 Correction of Finance Lease Liability Balances

The prior year figures of Finance Lease liability relating to the printers supplied and disclosed in terms of finance lease assets n accordance with GRAP 13.

The effect of the Correction of Error is as follows:

	Long-term Liabilities	Current Prortion Long-term Liabilities
Balances / Transactions as per AFS previously published for 2011/12	**2,196,575**	**314,119**
Adjustment for the capitalisation of finance lease assets (Note 36.5).	561,738	
Adjustment for Classification between short and long term liability.	(157,020)	157,020
Restated Balances as at 30 June 2012	**2,601,293**	**471,139**

37.8 Correcting of Operating Lease Asset

The prior year figures of Operating lease asset was recalculated for the prior year and the amount was adjusted.

The effect of the Correction of Error is as follows:

	Operating Lease Asset
Transactions incurred for the Year 2011/12	**17,549**
Correcting the Operating Lease Asset	(1,219)
Restated Balances as at 30 June 2012	**16,330**

37.9 Reclassification of Revenue

The prior year figure of Inventory (Note 2) has been restated to correctly account for the movement as well as inventory balance held at year end in accordance with GRAP 12.

The effect of the Correction of Error is as follows:

	Maintenance Materials	Water at cost
Amount per AFS previously published for 2011/12	**306,007**	**12,764**
Correction of prior year balances	122,100	28,770
Restated Amount currently disclosed for 2011/12	**428,107**	**41,534**

37.10 Correcting and Reclassification Receivables From Exchange Transactions

The prior year figure of Receivables from Exchange Transactions (Note 3) has been restated to correctly classify the accounts between Exchange and Non-Exchange transactions. The correction of R887 591 relates to accounting for availibility fees in the correct period as the fees should have been accounted for as debtors in the 2012 AFS.

	2013 R	2012 R

37.10 Correcting and Reclassification Receivables From Exchange Transactions (Continued):

Receivables from Exchange Transactions have been restated (Note 3) to correctly disclose the closing balance as at year end that was included incorrectly included as it relates to the prior years balance.

Payables From Exchange Transactions have been restated to correctly disclose the closing balance as at year end that was included incorrectly included in the current years balance, the balance included accounts that should have been offset against payments in the passed but was never done.

Payables From Non Exchange Transactions have been restated to correctly disclose the closing balance as at year after the calculation fro staff leave and staff bonus was recalculated, we also reclassified accounts from Payables From Exchange Transactions to Payables From Non Exchange Transaction, please refer below for detail of changes made.

The opening balances of Payables from Exchange Transactions included a debit balance that was carried over from the 2011 year, this balance was subsequently cleared to retained earnings as it relates to items purchased in 2011 that should have been expensed in that period.

A full review was done in the current year of Payables from Non-Exchange Transactions it was found that balances from the 2012 year was not correctly rolled over into the 2013 year after the 2012 was closed. This balance should have been rolled over into the 2013 year and matched to the provision for creditors (debit account) that was created for to post invoices to up to the date that the prior year balance is rolled over. The net effect of this adjustment is a decrease in Payable From Non Exchange Transactions of R 3 750 656.

The effect of the Correction of Error is as follows:

	Payables From Exchange Transactions	Receivables From Non-Exchange Transactions	Receivables From Exchange Transactions
Amount per AFS previously published for 2010/2011	**14,992,756**		
Correcting Suspense account never cleared	(250,257)		
Correcting Suspense account never cleared	(1,342,924)		
Restated Amount per AFS previously published for 2011/12	**13,399,576**	**2,032,396**	**4,314,481**
Reclassification of accounts to Receivables From Exchange transactions			
- Availability Fees Debtors corrected after investigation		(887,591)	887,591
Reclassification of accounts to Receivables From Non-Exchange transactions			
- Diverse Debtors		230,452	(230,452)
- Meent Huurgelde		216,912	(216,912)
- Deposists		466,081	(466,081)
- Unpaid Tjeks		19,850	(19,850)
- Medical Suspense	18,190	18,190	
Adjusting the balances on Clearing Accounts to account for movements			
- Cash Suspense account	(1,452,692)	4,233	
- Salary Control Account	(1,338,341)		
- Other Suspense Accounts	(135,136)		
Prior period error correction of Exchange Transactions			(888,053)
Prior period error correction of Non Exchange Transactions		269,081	
Prior period error corrected Amount Received but Never Cleared	(396,619)		
Prior period error corrected Amount Paid but Never Cleared	112,889		
Prior period error corrected Amount Paid not Cleared	(734,439)		
Prior period error corrected Payables not rolled over	(3,750,656)		
Restated Amount currently disclosed for 2011/12	**5,722,771**	**2,369,603**	**3,380,725**

	Payables From Non-Exchange Transactions
Amount per AFS previously published for	**-**
Reclassification of accounts to Payables From Non-Exchange transactions	
- Salary Control Account	1,338,341
- Other Suspense Accounts	135,136
- Accrued Bonus	673,497
- Accrued Leave	1,821,316
- Accrued Task Evaluation	416,548
Prior period error corrected for Leave and Bonus	(776,005)
Restated Amount currently disclosed for	**3,608,833**

37.11 Correcting Operating Lease Receivables

Operating Lease Receivables have been recalculated for the prior year to include all leases that should be straight lined. The effect of the correction of error is disclosed bellow.

The effect of the Correction of Error is as follows:

	Operating Lease Receivable
Amount per AFS previously published for	**17,549**
Prior period error corrected	(1,219)
Restated Amount currently disclosed for	**16,330**

	2013 R	2012 R

37.12 Correcting Long-term Receivables

The Long-term receivables balances have been restated due to the fact that their was a calculation error on the amortisation table that also affected the short term portion. The effect of the correction of error is disclosed bellow.

The effect of the Correction of Error is as follows:

	Current Portion of Long-term Receivable	Long-term Receivable
Amount per AFS previously published for	**27,972**	**68,998**
Prior period error corrected	(13,928)	13,167
Restated Amount currently disclosed for	**14,044**	**82,165**

37.13 Correcting Consumer Deposits

The Consumer Deposits were reconsiled to the Consumer Deposit Vote and it was noted that the difference related to amounts incorrectly included in the opening balance. The effect of the correction of error is disclosed bellow.

The effect of the Correction of Error is as follows:

	Consumer Deposits
Amount per AFS previously published for	**483,058**
Prior period error corrected	377
Restated Amount currently disclosed for	**483,435**

37.14 Retirement Benefit Liabilities

The Retirement Benefit was incorrectly disclosed in the prior year due to, in-service non-members (ISNMs) being included in the valuation as if they were in-service members (ISMs). The impact was significant, as ISMs are valued as being four-and-a-half times more likely to receive a medical aid subsidy during retirement and are three times fewer in number compared with ISNMs. In money terms, the 30 June 2012 liability is actually R5.79m instead of the R9.04m figure in the incorrect report submitted last year.

In addition, Long Service Awards and Ex-Gratia Pension was disclosed under non current provisions.

The effect of the Correction of Error is as follows:

	Non - Current Provisions	Retirement Benefit Liabilities
Amount per AFS previously published for	**-**	**13,089,725**
Prior period error corrected on the measurement of the liability		(2,995,439)
Reclassification of Long service Awards	2,984,775	(2,984,775)
Accounting for the Landfill site provision	3,638,888	-
Reclassification of Ex-Gratia Pension	1,319,516	(1,319,516)
Restated Amount currently disclosed for	**7,943,179**	**5,789,995**

38 CASH GENERATED BY OPERATIONS	2013 R	2012 R
Surplus / (Deficit) for the Year	10,175,542	(1,295,736)
Adjustment for:		
Changes in Accounting Policies	-	-
Correction of Prior Year Errors	-	2,300,864
Depreciation and Amortisation	-	9,181,751
Impairment Losses on Property, Plant and Equipment	-	7,926
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	-
Other Movement on Property, Plant and Equipment	-	-
Other Movement on Intangible Assets	-	-
Other Movement on Investment Properties	-	-
Contribution to Retirement Benefit Liabilities	271,019	202,609
Expenditure incurred from Retirement Benefit Liabilities	(252,792)	(234,024)
Contribution to Provisions - Current	-	2,760,233
Contribution to Provisions - Non-current	330,940	420,567
Expenditure incurred from Provisions - Current	(2,760,233)	-
Expenditure incurred from Provisions - Non-current	(397,430)	(416,366)
Contribution to Impairment Provision	6,300,261	2,339,993
Bad Debts Recovered	-	-
Bad Debts Written-off	-	-
Operating surplus before working capital changes	**13,667,307**	**15,267,816**
Decrease/(Increase) in Inventories	(140,813)	(250,542)
Decrease/(Increase) in Receivables from Exchange Transactions	(6,268,834)	(2,126,686)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(482,670)	(2,362,795)
Decrease/(Increase) in VAT Receivable	(214,687)	1,789,217
Decrease/(Increase) in Operating Lease Assets	(1,730)	(1,339)
Decrease/(Increase) in Current Portion of Long-term Receivables	(2,942)	(929)
Increase/(Decrease) in Consumer Deposits	64,867	306,671
Increase/(Decrease) in Payables from Exchange Transactions	3,616,809	(2,549,509)
Increase/(Decrease) in Payables from Non-exchange Transactions	2,828,390	3,608,833
Increase/(Decrease) in Conditional Grants and Receipts	148,785	(417,401)
Increase/(Decrease) in VAT Payable	(379,706)	379,706
Cash generated by / (utilised in) Operations	**12,834,775**	**13,643,042**

	2013 R	2012 R

39 NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2012/13 financial year, the municipality acquired R1,962,555.26 of equipment under a hire purchase. This acquisition will be reflected in the Cash Flow Statement over the term of the hire purchase via lease repayments.

40 FINANCING FACILITIES

Secured Bank Overdraft Facility:		
- Amount used	-	328,404
- Amount unused	-	1,171,596
	-	**1,500,000**

During the 2012/13 financial year, the municipality had a bank overdraft facility for the period of 28 February 2012 that was not reviewed at 28 February 2013. The facility expired on 28 June 2013 and no facility was held at year end.

ACB Mag Tape Credit		
- Amount used	-	-
- Amount unused	100,000	-
	100,000	**-**

During the 2012/13 financial year, the municipality had a ACB Mag Tape Credit facility for the period of 28 February 2012 that was not reviewed at 28 February 2013. The facility was still available at year end.

AVAF/CAF		
- Amount used	1,943,000	2,200,000
- Amount unused	-	-
	1,943,000	**2,200,000**

During the 2012/13 financial year, the municipality had a AVAF/CAF, this relates to the purchase of the of Operating Equipment.

41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	2,601,292	3,072,431
Used to finance Property, Plant and Equipment - at cost	(2,601,292)	(3,072,431)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6)	-	-
Cash invested for Repayment of Long-term Liabilities	**-**	**-**

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:		
Opening balance	53,520,422	33,511,219
Unauthorised Expenditure current year	15,115,648	20,009,203
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	**68,636,070**	**53,520,422**

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	*To be condoned by Council*
- Executive and Council - R2,750,750 (2012: R0)	
- Planning and Development - R1,995,461 (2012: R0)	
- Community and Social Services - R5,769,064 (2012: R0)	
- Waste Management - R2,903,363 (2012: R0)	
- Roads and Transport - R1,690,988 (2012: R0)	
- Other - R6,022 (2012: R0)	

42.2 Fruitless and Wasteful Expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	925,423	922,400
Fruitless and Wasteful Expenditure current year	19,547	3,023
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	**944,970**	**925,423**

	2013 R	2012 R

42.2 Fruitless and Wasteful Expenditure (Continued):

Incident	Disciplinary Steps / Criminal Proceedings
Treasury Summons G. Mackay - R14,692 (2012: R0)	*Recovery of the fruitless and wasteful expenditure from the liable persons.*
Interest on late payment - Various Creditors - R4,855 (2012: R3,023)	*None*

42.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:		
Opening balance	28,879,596	15,501,699
Irregular Expenditure current year	6,328,234	13,377,897
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	**35,207,830**	**28,879,596**

Incident	Disciplinary Steps / Criminal Proceedings
Irregular award made to H. Jas, Housing Loan Dispute - R61,820 (2012: R0)	*Dismissed*
Irregular contribution to P Papiers' pension fund - R88,622 (2012: R0)	*Under Investigation. To be recovered from the office-bearer concerned.*
Expenditure contrary to SCM Processes - R6,177,792 (2012: R13,377,897)	*A report will be submitted to council.*

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

43.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	450,000	210,500
Amount Paid - current year	(450,000)	(210,500)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

43.2 Audit Fees

Opening Balance	3,215,293	1,769,676
Current year Audit Fee	1,322,318	1,645,617
Interest on Arrear Account	50,267	
Amount Paid - current year	(1,437,181)	-
Amount Paid - previous years		(200,000)
Balance Unpaid (included in Creditors)	**3,150,697**	**3,215,293**

The balance unpaid represents the audit fee for the audit conducted in 2012 and 2013 Financial Year, a payment arrangement was entered into with the AG in order repay the total outstanding amount by the end of February 2014.

43.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

43.4 PAYE, Skills Development Levy and UIF

Opening Balance	135,641	138,808
Current year Payroll Deductions	3,410,248	3,201,266
Amount Paid - current year	(3,153,720)	(3,204,433)
Amount Paid - previous years	(135,641)	-
Balance Unpaid (included in Creditors)	**256,528**	**135,641**

The balance represents PAYE and UIF deducted from the June 2013 payroll. These amounts were paid during July 2013.

43.5 Pension and Medical Aid Deductions

Opening Balance	-	31,477
Current year Payroll Deductions and Council Contributions	5,735,162	4,825,381
Amount Paid - current year	(5,223,946)	(4,856,858)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**511,216**	**-**

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2013 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2013.

43.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor Papier P	426	426	-
Councillor Mackay GP	520	520	-
Councillor Van Wyk FM	472	472	-
Councillor Molepe J	7,931	688	7,243
Councillor Speelman GA	7,873	724	7,149
Councillor Martin E	-	-	-
Councillor Macdonald G	3,472	1,521	1,952
Councillor Titus BA	425	425	-
Total Councillor Arrear Consumer Accounts	**21,119**	**4,776**	**16,344**

		2013 R	2012 R
30 June 2012	**Total**	**Outstanding up to 90 days**	**Outstanding more than 90 days**
Councillor Papier P	-	-	-
Councillor Mackay GP	505	505	-
Councillor Van Wyk FM	412	412	-
Councillor Molepe J	8,954	781	8,173
Councillor Speelman GA	5,717	504	5,212
Councillor Martin E	-	-	-
Councillor Macdonald G	7,507	1,075	6,432
Councillor Titus BA	257	257	-
Total Councillor Arrear Consumer Accounts	**23,351**	**3,534**	**19,817**

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2013	**Highest amount outstanding**	**Ageing**
Councillor Molepe J	7,243	> 90 Days
Councillor Speelman GA	7,149	> 90 Days
Councillor Macdonald G	1,952	> 90 Days

30 June 2012	**Highest amount outstanding**	**Ageing**
Councillor Molepe J	8,173	> 90 Days
Councillor Speelman GA	5,212	> 90 Days
Councillor Macdonald G	6,432	> 90 Days

43.7 Non-Compliance with the Municipal Finance Management Act

The municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
Budget processes and related matters	4	61	(2)
Monthly budget statements	8	71	(i) to (v)
Supply chain management policy to comply with prescribed framework	11		(4)

43.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Various Departments	*Year 2011/12*	*Various occasions (22)*	*Various reasons like preferred supplier & venue, urgency, etc*	*6,177,792.25*

		2013 R	2012 R

43.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Electricity Losses	2,039,241	0.8270	1,686,471
30 June 2012	Unaccounted Electricity Losses	2,039,250	0.7498	1,528,992

Electricity Losses occur due to *inter alia* , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2013 R	2012 R
Volumes in kWh/year:		
System Input Volume	11,988,500	11,988,553
Billed Consumption	9,949,260	9,949,303
Distribution Loss	2,039,241	2,039,250
Percentage Distribution Loss	17.01%	17.01%
Loss (R):	1,686,471	1,528,992

Calculated as follows :

30 June 2013	**%**	**Lost Units**	**Tariff**	**Value**
Total Electricity Losses	100.00%	2,039,241	@	1,686,471
- Grootkragvebruik Dorp	15.64%	318,964	0.3309	105,545
- Kleinverbruik <1000kw/h	4.50%	91,751	0.9045	82,985
- Kleinverbruik >1000kw/h	28.07%	572,351	0.9045	517,669
- Huishoudelik	25.52%	520,313	0.9486	493,559
- Prepaid	16.83%	343,165	1.1692	401,222
- Grootkragvebruik Munic	6.16%	125,642	0.2978	37,418
- Kleinkragvebruik Munic	3.29%	67,053	0.7170	48,074

	2013 R	2012 R

43.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA (Continued):

Water:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Water Losses	732,444	3.7000	2,710,043
30 June 2012	Unaccounted Water Losses	711,163	3.2500	2,311,280

Water Losses occur due to *inter alia* , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

	2013 R	2012 R
Volumes in Kl/year:		
System Input Volume	2,179,992	2,095,131
Billed Consumption	1,447,548	1,383,968
Distribution Loss	732,444	711,163
Percentage Distribution Loss	33.60%	33.94%
Loss (R):	2,710,043	2,311,280

44 COMMITMENTS FOR EXPENDITURE

44.1 Capital Commitments

Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**36,236,551**	**21,654,632**
Infrastructure	34,236,551	19,975,632
Other	2,000,000	1,679,000
- Approved but Not Yet Contracted for:-	**-**	**2,440,000**
Infrastructure	-	-
Other	-	2,440,000
Total Capital Commitments	**36,236,551**	**24,094,632**
This expenditure will be financed from:		
Government Grants	36,236,551	24,094,632
Own Resources	-	-
	36,236,551	**24,094,632**

44.2 Lease Commitments

Finance Lease Liabilities are disclosed in Notes 17.

44.3 Other Commitments

The municipality has entered into a 3 year contract with Ducharme Consulting Services during June 2013 for assistance with the compilation of the Annual Financial Statements, the charges will be billed on a monthly basis as assistance is required.

The municipality has entered into a contract with Geo-spatial Informations Solutions (Pty) Ltd Consultants on 01 November 2012 for an annual license fee of R 35 482 as well as a fee for monthly Support and Maintenance of R 6 118 that increases by 10% per annum. The contract

45 FINANCIAL INSTRUMENTS

45.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Long-term Receivables			
Housing Loans	Amortised cost	62,976	82,165
Receivables from Exchange Transactions			
Electricity	Amortised cost	1,366,352	1,084,520
Refuse	Amortised cost	249,567	(19,042)
Sewerage	Amortised cost	681,887	1,250,778
Water	Amortised cost	1,838,663	866,632
Other Receivables	Amortised cost	335,362	197,837
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	1,116,291	1,377,453
Payments made in Advance	Amortised cost	20,000	-
Sundry Deposits	Amortised cost	26,389	25,033
Sundry Debtors	Amortised cost	463,160	934,102
Suspense Accounts	Amortised cost	40,106	33,015
Fruitless and Wasteful Expenditure	Amortised cost	-	-
Irregular Expenditure	Amortised cost	61,820	-
Unauthorised Expenditure	Amortised cost	-	-
VAT Receivable	Amortised cost	214,687	-
Cash and Cash Equivalents			
Bank Balances	Fair value	2,813,727	1,721,278
Cash Floats and Advances	Fair value	800	800
Current Portion of Long-term Receivables			
Housing Loans	Amortised cost	16,987	14,044
		9,308,773	7,568,616

		2013 R	2012 R
45 FINANCIAL INSTRUMENTS (Continued):			
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Housing Loans	62,976	82,165
Receivables from Exchange Transactions	Electricity	1,366,352	1,084,520
Receivables from Exchange Transactions	Refuse	249,567	(19,042)
Receivables from Exchange Transactions	Sewerage	681,887	1,250,778
Receivables from Exchange Transactions	Water	1,838,663	866,632
Receivables from Exchange Transactions	Other Debtors	335,362	197,837
Receivables from Non-exchange Transactions	Assessment Rates Debtors	1,116,291	1,377,453
Receivables from Non-exchange Transactions	Payments made in Advance	20,000	-
Receivables from Non-exchange Transactions	Sundry Deposits	26,389	25,033
Receivables from Non-exchange Transactions	Sundry Debtors	463,160	934,102
Receivables from Non-exchange Transactions	Suspense Accounts	40,106	33,015
Receivables from Non-exchange Transactions	Irregular Expenditure	61,820	-
Short-term Receivables	VAT Receivable	214,687	-
Current Portion of Long-term Receivables	Housing Loans	16,987	14,044
		6,494,246	5,846,538
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Bank Balances	2,813,727	1,721,278
Cash and Cash Equivalents	Cash Floats and Advances	800	800
		2,814,527	1,722,078
Total Financial Assets		**9,308,773**	**7,568,616**

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	**Classification**		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	2,081,336	2,601,292
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	8,183,254	4,941,097
Other Creditors	Amortised cost	1,156,326	781,674
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	945,347	786,329
Staff Leave Accrued	Amortised cost	1,205,297	932,479
Staff Task Evaluation	Amortised cost	-	416,548
Staff Salaries	Amortised cost	-	-
Sundry Deposits	Amortised cost	4,286,579	1,473,477
VAT Payables	Amortised cost	-	379,706
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	519,957	471,139
		18,378,095	12,783,741

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	2,081,336	2,601,292
Payables from Exchange Transactions	Trade Creditors	8,183,254	4,941,097
Payables from Exchange Transactions	Other Creditors	1,156,326	781,674
Payables from Non-exchange Transactions	Staff Bonuses	945,347	786,329
Payables from Non-exchange Transactions	Staff Leave Accrued	1,205,297	932,479
Payables from Non-exchange Transactions	Staff Task Evaluation	-	416,548
Payables from Non-exchange Transactions	Staff Salaries	-	-
Payables from Non-exchange Transactions	Sundry Deposits	4,286,579	1,473,477
Short-term Payables	VAT Payables	-	379,706
Current Portion of Long-term Liabilities	Finance Lease Liabilities	519,957	471,139
		18,378,095	12,783,741
Financial Liabilities at Fair Value:			
Bank Overdraft	Bank Overdraft	-	-
		-	-
Total Financial Liabilities		**18,378,095**	**12,783,741**

45.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

	2013 R	2012 R

45.2 Fair Value (Continued):

Long-term Investments
The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables
The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities
The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities
The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	6,494,246	6,494,246	5,846,538	5,846,538
Long-term Receivables	62,976	62,976	82,165	82,165
Trade Receivables from Exchange Transactions	4,471,831	4,471,831	3,380,725	3,380,725
Trade Receivables from Non-exchange Transactions	1,727,765	1,727,765	2,369,603	2,369,603
Short-term Receivables	214,687	214,687	-	-
Current Portion of Long-term Receivables	16,987	16,987	14,044	14,044
Measured at Fair Value	2,814,527	2,814,527	1,722,078	1,722,078
Bank Balances and Cash	2,814,527	2,814,527	1,722,078	1,722,078
Total Financial Assets	9,308,773	9,308,773	7,568,616	7,568,616
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	18,378,095	18,378,095	12,783,741	12,783,741
Finance Lease Liabilities	2,081,336	2,081,336	2,601,292	2,601,292
Short-term Payables	-	-	379,706	379,706
Trade and Other Payables:				
- Payables from Exchange Transactions	9,339,580	9,339,580	5,722,771	5,722,771
- Payables from Non-exchange Transactions	6,437,223	6,437,223	3,608,833	3,608,833
- Current Portion of Long-term Liabilities	519,957	519,957	471,139	471,139
Measured at Fair Value	-	-	-	-
Bank Overdraft	-	-	-	-
Total Financial Liabilities	18,378,095	18,378,095	12,783,741	12,783,741
Total Financial Instruments	(9,069,322)	(9,069,322)	(5,215,126)	(5,215,126)
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipalitity have been reclassified as disclosed in Note 35.2, Change in Accounting Policy.
No Financial Instruments of the municipalitity have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-
Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-
Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or

Level 3:-
Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	2013 R	2012 R
30 June 2013		

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	2,814,527	-	2,814,527
Total Financial Assets	-	2,814,527	-	2,814,527
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	2,814,527	-	2,814,527

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	1,722,078	-	1,722,078
Total Financial Assets	-	1,722,078	-	1,722,078
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	1,722,078	-	1,722,078

45.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2012.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 17, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 2,61%, increasing 0,36%. This ratio is as a result of the Municipalities structure where they rely on government grants to fund all major projects and they seldom use external: funding. The rate of borrowing is at market related rates.

The gearing ratio at the year-end was as follows:

Debt	9,038,515	7,060,970
Cash and Cash Equivalents	(2,814,527)	(1,722,078)
Net Debt	6,223,988	5,338,892
Equity	247,577,054	237,401,511
Net debt to equity ratio	**2.51%**	**2.25%**

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

45.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

45.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

	2013	2012
	R	R

45.5 Significant Risks (Continued):

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

45.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates.

The municipality's activities expose it primarily to the financial risks of changes in interest rateS. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

45.6.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates, except for one loan

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining a steady inflow of cash in order to finance the interest expense.

Interest Rate Sensitivity Analysis
The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Appendix A.

Finance Lease Liabilities:
If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:
- Surplus for the year ended 30 June 2013 would have decreased / increased by R19,699 (30 June 2012: decreased / increased by R22,142). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt

45.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

	2013	2012
	R	R

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

	2013	2012
	R	R

45.7 Credit Risk Management (Continued):

Trade and Other Receivables (Continued):

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2013	2012
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	R	R
Long-term Receivables	92,709	106,754
Consumer Debtors	4,471,831	3,380,725
Other Debtors	1,727,765	2,369,603
Bank, Cash and Cash Equivalents	158,522	1,324,061
Maximum Credit and Interest Risk Exposure	**6,450,828**	**7,181,143**

The major concentrations of credit risk that arise from the municipality's receivables from exchange transactions in relation to customer classification are as follows:

	%	
Consumer Debtors:		
- Household	85.14%	
- Industrial / Commercial	6.91%	
- National and Provincial Government	1.48%	
- Other Classes	1.34%	
Other Debtors:		
- Other not Classified	5.12%	
Total Credit Risk	**99.99%**	
Bank and Cash Balances		
ABSA Bank Ltd	2,813,727	1,721,278
First National Bank	-	-
Nedbank	-	-
Standard Bank	-	-
Cash Equivalents	800	800
Total Bank and Cash Balances	**2,814,527**	**1,722,078**

Credit quality of Financial Assets:
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables		
Group 1	-	-
Group 2	-	-
Group 3	62,976	82,165
Total Long-term Receivables	**62,976**	**82,165**
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	-	-
Group 2	-	-
Group 3	4,471,831	3,380,725
Total Receivables from Exchange Transactions	**4,471,831**	**3,380,725**

	2013 R	2012 R
45.7 Credit Risk Management (Continued):		
Receivables from Non-exchange Transactions		
Group 1	-	-
Group 2	-	-
Group 3	1,727,765	2,369,603
Total Receivables from Non-exchange Transactions	**1,727,765**	**2,369,603**

Credit quality Goupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are

45 FINANCIAL INSTRUMENTS (Continued)

45.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 39 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	15,776,803	15,776,803	-	-	-	-
Variable Interest Rate Instruments		10.00%	1,969,935	133,301	133,301	266,601	799,803	636,929
Fixed Interest Rate Instruments		10.50%	631,358	124,836	124,836	249,671	132,016	(0)
Financial Guarantee Contracts			-	-	-	-	-	-
			18,378,095	**16,034,939**	**258,136**	**516,272**	**931,819**	**636,928**
30 June 2012								
Non-interest Bearing		0.00%	9,711,310	9,711,310	-	-	-	-
Variable Interest Rate Instruments		10.00%	2,214,218	119,556	119,556	239,113	717,339	1,018,653
Fixed Interest Rate Instruments		10.50%	858,213	112,444	112,444	224,888	132,016	276,422
Financial Guarantee Contracts			-	-	-	-	-	-
			12,783,741	**9,943,310**	**232,000**	**464,001**	**849,355**	**1,295,075**

45 FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	6,495,046	6,495,046	-	-	-	-
Variable Interest Rate Instruments		11.16%	2,813,727	2,813,727	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			9,308,773	**9,308,773**	**-**	**-**	**-**	**-**
30 June 2012								
Non-interest Bearing		0.00%	5,847,338	5,847,338	-	-	-	-
Variable Interest Rate Instruments		10.82%	1,721,278	1,721,278	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			7,568,616	**7,568,616**	**-**	**-**	**-**	**-**

The municipality has access to financing facilities, the total unused amount which is R0 (2011: R1 750 000), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

45.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

	2013	2012
	R	R

46 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and only includes defined contribution schemes. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

All of these abore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The total expense recognised in the Statement of Financial Performance of R3,896,491 (2012: R3,543,393) represents contributions payable to these Pension Funds at rates specified in the rules of the plans. As at 30 June 2012, contributions of R386 952 (2012: R0) due in the current reporting period had not been paid over to the plans. These amounts were paid over subsequent to the balance sheet date.

Employees belong to a variety of Medical Aid. The Municipality contributes 60% of in service members Medical Aid Premium and 70% of continuing members Medical Aid Premium.

The total expense recognised in the Statement of Financial Performance of R1,327,455 (2012: R1,281,988) represents contributions payable to these Medical Aid Funds at rates specified in the rules of the plans. As at 2013, contributions of R124 265 (2012: R0) due in the current reporting period had not been paid over to the plans. These amounts were paid over subsequent to the balance sheet date.

DEFINED BENEFIT SCHEMES

Post-retirement Health Care Benefits Liability:

In-service members will receive a post-employment subsidy of 70% of the contribution payable. Upon a member's death-in-service or death-in-retirement, the surviving dependants will not receive the same 70% subsidy.

Long Service Awards:

The Municipality offers employees LSA for every five years of service completed, from five years of service. The Municipality offers two types of benefits:

- Old Benefit

This is for members who joined the Municipality prior to 1 March 2011 (All the eligible employees in this valuation joined the Municipality prior to this date and thus qualify for the old benefit):

5 years service = Basic salary x 2.5% x 0.5 divided by 12, which is paid every month until the employee has 10 years of service.
10 years service = Basic salary x 2.5% x 1.0 divided by 12, which is paid every month until the employee has 15 years of service.
15 years service = Basic salary x 2.5% x 1.5 divided by 12, which is paid every month until the employee has 20 years of service.
20 years service = Basic salary x 2.5% x 2.0 divided by 12, which is paid every month until the employee has 25 years of service.
25 years service = Basic salary x 2.5% x 2.5 divided by 12, which is paid every month until the employee has 30 years of service.
30 years service = Basic salary x 2.5% x 3.0 divided by 12, which is paid every month until the end of service.

- New Benefit

This is for members who joined the Municipality after 1 March 2011 (There were no eligible employees who joined the Municipality after 1 March 2011):

10 years service = Once-off payment of Basic salary x 3% plus 10 working days leave
15 years service = Once-off payment of Basic salary x 4% plus 10 working days leave
20 years service = Once-off payment of Basic salary x 5% plus 15 working days leave
25 years service = Once-off payment of Basic salary x 6% plus 15 working days leave
The benefits stay the same thereafter for every 5 years

Ex-Gratia Bonus:

Employees who commenced service with the Municipality prior to 1994 and did not join a pension fund on appointment, are entitled to receive ex-gratia benefits in respect of service accrued with the Municipality whilst not being a member of a pension fund. These benefits are paid on retirement or in the event of death or resignation before retirement.

The lump sum benefit is calculated as follows:
Basic monthly salary at time of payment x (Completed years of service accrued while not a member of a pension fund + three)

The defined benefit schemes are not supported by any plan assets and will be settled from cash funds over the contribution period.

Refer to Note18 for the detailed disclosure of these Defined Benefit Schemes in accordance with GRAP 25. 135 - 141.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

	2013 R	2012 R

46 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued):

SALA Pension Fund:
The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (9%) and Council (18%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Provident Fund:
No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (9%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

NFMW Pension Fund:
No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (9%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

47 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

47.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
JRM. Alexander	Municipal Manager	Director of Emthanjeni Fertilizer and Garden Service and Lezmin 2649.
P. Papier	Speaker	Director of Oline Trading, For You Financial and Funeral Services, Greenville Trading and Siyathemba Hardware Store.
GP. Mackay	Councillor	Director of Fullimput 1279.
J. Molepe	Councillor	Director of Multiminds 123.
G. Macdonald	Councillor	Owner of 29A Bezuidenhout Street
J. Bason	Manager	Director of and 50% Interest in Motangtang Electrical
FV. Louw	Manager	Owner and 100% Interest in Kheina Catering Services CC

47.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2013				
Councillors	7,129	36,954	-	21,119
Municipal Manager and Section 57 Personnel	5,567	22,194	-	1,576
Municipal Entities	-	-	-	-
Total Services	**12,696**	**59,147**	**-**	**22,695**
For the Year ended 30 June 2012				
Councillors	6,834	36,910	-	23,351
Municipal Manager and Section 57 Personnel	6,072	16,956	-	4
Municipal Entities	-	-	-	-
Total Services	**12,906**	**53,866**	**-**	**23,355**

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

	2013 R	2012 R

47.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 10 to the Annual Financial Statements.

47.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

47.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

47.6 Other Related Party Transactions	2013 R	2013 R
Bursaries were provided to family members of employees:		
R. Horn - PA to Municipal Manager	28,480	-
T. Yawa - Librarian transformation Officer	1,230	-
F. Mokgoro - Foreman Public works	2,000	-
S. Botha - Registry Clerk	3,000	-
M. Sia - Cleaner	1,325	-
J. Madoda - Assistant Librarian	1,800	-
	37,835	-

48 CONTINGENT LIABILITIES

48.1 Court Proceedings:	**273,052**	**3,375,775**
(i) IMATU/SALGA - Task Implimentation: IMATU won a court case against SALGA for not implementing the TASK evaluation results on the correct salary scales. SALGA is currently reviewing the court case outcome. The financial exposure is estimated at 2% additional salary increases to all permanent staff members. This case was closed and amounts were paid out in the 2013 year.	-	675,775
(ii) Creative Harvest (Pty) Ltd: A dispute arose between Siyathemba Municipality and Creative Harvest in which Creative Harvest is suing Siyathemba Municipality for not paying invoices for work that they claimed they performed. Du Toit Attorneys are of the opinion that the Municipality will only incur legal fees if a summons is issued by Creative Harvest.	150,000	2,700,000
(iii) SADC Advertising: A dispute arose between Siyathemba Municipality and SADC Advertising in which SADC Advertising suing Siyathemba Municipality for not paying for services rendered to the Municipality. The Municipality is of the opinion that the services rendered was not what they agreed upon and will therefore not pay the amount.	123,052	-

49 CONTINGENT ASSETS

49.1 Court Proceedings:	**14,692**	**-**
(i) Fruitless and Wasteful Expenditure: Investigation is being made into the recovery of Fruitless and Wasteful as disclosed in Note 42.2. It is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.	14,692	-

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review. Other then donations from suppliers referred to in Note 23.

51 EVENTS AFTER THE REPORTING DATE

51.1 Theft of Inventory:
On the 16st of July 2013 two inventory items were stolen from the municipalities property. These items were carried at zero value as they were no longer being used by the Municipality. The theft was reported to the Police and no further action was required.

	2013	2012
	R	R

52 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

53 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) The Council adopted the 2012/13 to 2014/15 Budget in the current financial year. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

SIYATHEMBA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
LOCAL REGISTERED STOCK								
Total Registered Stock	-				-	-	-	-
ANNUITY LOANS								
Total Annuity Loans	-				-	-	-	-
CAPITAL LEASE LIABILITIES								
ABSA	614,847	10.00%	82003555	YES	600,325	-	(67,771)	532,554
ABSA	794,466	10.00%	82003806	YES	775,911	-	(87,775)	688,136
ABSA	828,000	10.00%	82306558	YES	837,981	-	(88,737)	749,245
Nashua	811,922	10.50%	P1	NO	586,841	-	(155,123)	431,719
Gestetner	375,455	10.50%	P2	NO	271,372	-	(71,733)	199,639
Total Capital Lease Liabilities	**3,424,691**				**3,072,431**	**-**	**(471,139)**	**2,601,292**
GOVERNMENT LOANS	-				-	-	-	-
Total Government Loans	-				-	-	-	-
OTHER LOANS	-				-	-	-	-
Total Other Loans	-				-	-	-	-
TOTAL EXTERNAL LOANS	**3,424,691**				**3,072,431**	**-**	**(471,139)**	**2,601,292**

CAPITAL LEASE LIABILITIES:

ABSA:
Structured 7 year loan secured over the Equipment that was purchased. Original loan capital of R2 237 313 is repayable monthly in fixed instalments of capital and fixed rate interest.

APPENDIX B
SIYATHEMBA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2013
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land:													
Land: Undeveloped	13,758,300	-	-	-	-	13,758,300	-	-	-	-	-	13,758,300	-
Farms	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings:													
Office Buildings	19,942,000	-	-	-	-	19,942,000	1,010,395	-	-	-	1,010,395	18,931,605	-
	33,700,300	**-**	**-**	**-**	**-**	**33,700,300**	**1,010,395**	**-**	**-**	**-**	**1,010,395**	**32,689,905**	**-**
Infrastructure													
Electricity:													
High Mast Lights	20,041,156	-	-	-	-	20,041,156	1,904,007	-	-	-	1,904,007	18,137,149	-
Roads and Transport:													
Motorways	114,957,947	15,003,836	-	-	-	129,961,783	26,372,505	-	-	-	26,372,505	103,589,278	13,008,375
Sewerage:													
Bulk Pipelines	52,505,037	-	-	-	-	52,505,037	5,831,820	-	-	-	5,831,820	46,673,217	-
Water:													
Bulk Supply	73,710,040	-	-	-	-	73,710,040	8,525,412	-	-	-	8,525,412	65,184,628	-
	261,214,180	**15,003,836**	**-**	**-**	**-**	**276,218,017**	**42,633,744**	**-**	**-**	**-**	**42,633,744**	**233,584,273**	**13,008,375**
Housing													
Housing Schemes	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Leased Assets													
Motor Cars	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Assets													
Computer Equipment:													
Computer Hardware	454,821	-	-	-	-	454,821	200,078	-	-	-	200,078	254,743	-
Computer Networks	42,675	-	-	-	-	42,675	7,552	-	-	-	7,552	35,123	-
Furniture and Fittings:													
Advertising Boards	542,944	-	-	-	-	542,944	330,511	-	-	-	330,511	212,433	-
Motor Vehicles:													
Motor Cars	5,802,192	-	-	-	-	5,802,192	1,579,876	-	-	-	1,579,876	4,222,316	-
Office Equipment:													
Air Conditioners	1,085,637	-	-	-	-	1,085,637	73,894	-	-	-	73,894	1,011,743	-
Plant and Equipment:													
Woodworking Machinery/Equipme	146,076	-	-	-	-	146,076	83,892	-	-	-	83,892	62,184	-
Workshop Equipment	13,683	-	-	-	-	13,683	8,162	-	-	-	8,162	5,521	-
Other Assets:													
Fencing	4,135,458	-	-	-	-	4,135,458	96,936	-	-	-	96,936	4,038,522	-
Inventory items	41,478	-	-	-	-	41,478	24,528	-	-	-	24,528	16,950	-
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	12,264,964	**-**	**-**	**-**	**-**	**12,264,964**	**2,405,429**	**-**	**-**	**-**	**2,405,429**	**9,859,535**	**-**
Total	**307,179,444**	**15,003,836**	**-**	**-**	**-**	**322,183,280**	**46,049,568**	**-**	**-**	**-**	**46,049,568**	**276,133,712**	**13,008,375**

APPENDIX B

SIYATHEMBA MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

SIYATHEMBA MUNICIPALITY

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

SIYATHEMBA MUNICIPALITY

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-	-	-	-	-
Spatial Development Plan	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation Roll	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

SIYATHEMBA MUNICIPALITY

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 40725
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets													
Culturally Significant Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
National Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Jewelry	-	-	-	-	-	-	-	-	-	-	-	-	-
Museum Exhibits	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Statues	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Asset Register	307,179,444	15,003,836	-	-	-	322,183,280	46,049,568	-	-	-	46,049,568	276,133,712	13,008,375

APPENDIX C
SIYATHEMBA MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Administration	33,700,300	-	-	-	-	33,700,300	1,010,395	-	-	-	1,010,395	32,689,905
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	52,505,037	15,003,836	-	-	-	67,508,873	5,831,820	-	-	-	5,831,820	61,677,053
Roads and Transport	114,957,947	-	-	-	-	114,957,947	26,372,505	-	-	-	26,372,505	88,585,442
Water	73,710,040	-	-	-	-	73,710,040	8,525,412	-	-	-	8,525,412	65,184,628
Electricity	20,041,156	-	-	-	-	20,041,156	1,904,007	-	-	-	1,904,007	18,137,149
Other	12,264,964	-	-	-	-	12,264,964	2,405,429	-	-	-	2,405,429	9,859,535
Total	**307,179,444**	**15,003,836**	**-**	**-**	**-**	**322,183,280**	**46,049,568**	**-**	**-**	**-**	**46,049,568**	**276,133,712**

APPENDIX D
SIYATHEMBA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
1,097,899	7,395,011	(6,297,111)	Executive and Council	721,256	10,446,907	(9,725,651)
17,820,829	18,081,928	(261,099)	Finance and Administration	19,634,825	13,664,620	5,970,205
-	-	-	Planning and Development	-	-	-
-	6,975	(6,975)	Health	-	-	-
378,278	861,905	(483,627)	Community and Social Services	477,185	1,002,559	(525,374)
39,606	-	39,606	Housing	41,246	-	41,246
-	569	(569)	Public Safety	-	13,003	(13,003)
-	1,382,904	(1,382,904)	Sport and Recreation	-	2,070,000	(2,070,000)
-	11,696	(11,696)	Environmental Protection	-	20,631	(20,631)
6,774,558	6,834,463	(59,906)	Waste Management	8,134,225	6,815,634	1,318,592
13,688,418	9,562,373	4,126,045	Roads and Transport	14,124,845	9,817,145	4,307,700
10,934,737	6,903,706	4,031,031	Water	18,062,876	5,416,292	12,646,584
12,333,343	10,573,545	1,759,798	Electricity	14,933,176	13,210,393	1,722,784
743,531	3,491,860	(2,748,329)	Other	1,168,245	4,645,153	(3,476,908)
63,811,198	**65,106,935**	**(1,295,736)**	Sub-Total	**77,297,878**	**67,122,336**	**10,175,542**
			Revenue Foregone			
63,811,198	**65,106,935**	**(1,295,736)**	**Total**	**77,297,878**	**67,122,336**	**10,175,542**

SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	603,240	-	603,240	-	-	603,240	721,256	-	118,016	119.56	119.56	-	-	-	1,097,899
Budget and Treasury Office	24,147,702	2,001,500	26,149,202	-	-	26,149,202	19,657,590	-	(6,491,612)	75.17	81.41	-	-	-	17,820,829
Corporate Services	1,277,100	(545,000)	732,100	-	-	732,100	1,124,530	-	392,430	153.60	88.05	-	-	-	743,531
Community and Public Safety:															
Community and Social Services	715,000	15,000	730,000	-	-	730,000	478,483	-	(251,517)	65.55	66.92	-	-	-	378,278
Sport and Recreation	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Housing	50,000	-	50,000	-	-	50,000	41,246	-	(8,755)	82.49	82.49	-	-	-	39,606
Health	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Road Transport	14,794,000	1,560,400	16,354,400	-	-	16,354,400	14,128,595	-	(2,225,805)	86.39	95.50	-	-	-	13,688,418
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Trading Services:															
Electricity	16,267,776	1,224,926	17,492,702	-	-	17,492,702	14,946,376	-	(2,546,326)	85.44	91.88	-	-	-	12,333,343
Water	10,633,634	2,452,189	13,085,823	-	-	13,085,823	18,065,576	-	4,979,753	138.05	169.89	-	-	-	10,934,737
Waste Water Management	5,074,488	3,540,702	8,615,190	-	-	8,615,190	5,413,668	-	(3,201,522)	62.84	106.68	-	-	-	4,659,430
Waste Management	1,760,088	1,698,552	3,458,640	-	-	3,458,640	2,720,558	-	(738,082)	78.66	154.57	-	-	-	2,115,128
Other:															
Tourism	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Intergovernmental & Special Projects		-		-	-			-	-	0.00	0.00	-	-	-	
Total Revenue - Standard	75,323,028	11,948,269	87,271,297	-	-	87,271,297	77,297,878	-	(9,973,419)	88.57	102.62	-	-	-	63,811,198
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	4,364,200	3,411,291	7,775,491	-	-	7,775,491	10,446,907	2,671,416	2,671,416	134.36	239.38	-	-	-	7,395,011
Budget and Treasury Office	16,806,580	3,137,170	19,943,750	-	-	19,943,750	13,959,052	-	(5,984,698)	69.99	83.06	-	-	-	18,085,226
Corporate Services	7,290,528	146,686	7,437,214	-	-	7,437,214	4,347,187	-	(3,090,027)	58.45	59.63	-	-		3,482,653
Community and Public Safety:															
Community and Social Services	1,686,250	42,820	1,729,070	-	-	1,729,070	1,002,559	-	(726,511)	57.98	59.45	-	-	-	861,905
Sport and Recreation	1,468,159	67,720	1,535,879	-	-	1,535,879	2,070,000	534,121	534,121	134.78	140.99	-	-	-	1,382,904
Public Safety	14,000	(8,000)	6,000	-	-	6,000	13,003	7,003	7,003	216.72	92.88	-	-	-	569
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Health	15,000	-	15,000	-	-	15,000	-	-	(15,000)	0.00	0.00	-	-	-	6,975
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Road Transport	23,051,035	(12,658)	23,038,377	-	-	23,038,377	9,817,145	-	(13,221,232)	42.61	42.59	-	-	-	9,562,373
Environmental Protection	20,000	-	20,000	-	-	20,000	20,631	631	631	103.15	103.15	-	-	-	11,696
Trading Services:															
Electricity	16,414,279	(451,780)	15,962,499	-	-	15,962,499	13,210,393	-	(2,752,106)	82.76	80.48	-	-	-	10,573,545
Water	9,108,650	690,338	9,798,988	-	-	9,798,988	5,416,292	-	(4,382,696)	55.27	59.46	-	-	-	6,903,706
Waste Water Management	5,040,000	2,402,329	7,442,329	-	-	7,442,329	3,630,668	-	(3,811,661)	48.78	72.04	-	-	-	3,882,505
Waste Management	4,049,000	(543,100)	3,505,900	-	-	3,505,900	3,184,966	-	(320,934)	90.85	78.66	-	-	-	2,951,958
Other:															
Tourism	15,000	(5,000)	10,000	-	-	10,000	3,532	-	(6,468)	35.32	23.55	-	-	-	5,908
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Expenditure - Standard	89,342,681	8,877,816	98,220,497	-	-	98,220,497	67,122,336	3,213,171	(31,098,161)	68.34	75.13	-	-	-	65,106,935
Surplus/(Deficit) for the year	**(14,019,653)**	**3,070,453**	**(10,949,200)**	**-**	**-**	**(10,949,200)**	**10,175,542**	**(3,213,171)**	**21,124,742**	**0.00**	**0.00**	**-**	**-**	**-**	**(1,295,736)**

SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	603,240	-	603,240	-	-	603,240	721,256	-	118,016	119.56	119.56	-	-	-	1,097,899
Vote 2 - BUDGET & TREASURY OFFICE	24,147,702	2,001,500	26,149,202	-	-	26,149,202	19,657,590	-	(6,491,612)	75.17	81.41	-	-	-	17,820,829
Vote 3 - CORPORATE SERVICES	3,392,100	(324,000)	3,068,100	-	-	3,068,100	2,530,646	-	(537,454)	82.48	74.60	-	-	-	2,353,680
Vote 4 - TECHNICAL & ENGINEERING SERVICES	47,179,986	10,270,769	57,450,755	-	-	57,450,755	54,388,386	-	(3,062,369)	94.67	115.28	-	-	-	42,538,791
Total Revenue by Vote	75,323,028	11,948,269	87,271,297	-	-	87,271,297	77,297,878	-	(9,973,419)	88.57	102.62	-	-	-	63,811,198
EXPENDITURE BY VOTE															
Vote 1 - EXECUTIVE AND COUNCIL	4,379,200	3,411,291	7,790,491	-	-	7,790,491	10,446,907	2,656,416	2,656,416	134.10	238.56	-	-	-	7,401,986
Vote 2 - BUDGET & TREASURY OFFICE	16,806,580	3,137,170	19,943,750	-	-	19,943,750	13,959,052	-	(5,984,698)	69.99	83.06	-	-	-	18,085,226
Vote 3 - CORPORATE SERVICES	10,575,361	181,323	10,756,684	-	-	10,756,684	6,800,204	-	(3,956,480)	63.22	64.30	-	-	-	5,879,883
Vote 4 - TECHNICAL & ENGINEERING SERVICES	57,581,540	2,148,032	59,729,572	-	-	59,729,572	35,916,172	-	(23,813,400)	60.13	62.37	-	-	-	33,739,840
Total Expenditure by Vote	89,342,681	8,877,816	98,220,497	-	-	98,220,497	67,122,336	2,656,416	(31,098,161)	68.34	75.13	-	-	-	65,106,935
Surplus/(Deficit) for the year	**(14,019,653)**	**3,070,453**	**(10,949,200)**	**-**	**-**	**(10,949,200)**	**10,175,542**	**2,656,416**	**21,124,742**	**0.00**	**0.00**	**-**	**-**	**-**	**(1,295,736)**

SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	6,000,000	-	6,000,000	-	-	6,000,000	5,129,933	-	(870,067)	85.50	85.50	-	-	-	-
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Service Charges - Electricity	15,138,216	(1,427,753)	13,710,463	-	-	13,710,463	11,761,609	-	(1,948,855)	85.79	77.69	-	-	-	10,074,826
Service Charges - Water	7,702,783	(56,170)	7,646,613	-	-	7,646,613	7,481,192	-	(165,421)	97.84	97.12	-	-	-	4,908,852
Service Charges - Sanitation	6,000,000	(9,600)	5,990,400	-	-	5,990,400	5,386,768	-	(603,632)	89.92	89.78	-	-	-	4,677,967
Service Charges - Refuse	1,800,000	-	1,800,000	-	-	1,800,000	1,952,727	-	152,727	108.48	108.48	-	-	-	1,525,065
Service Charges - Other	(9,631,873)	8,755,887	(875,986)	-	-	(875,986)	(5,707,214)	-	(4,831,228)	0.00	0.00	-	-	-	-
Rental of Facilities and Equipment	732,500	-	732,500	-	-	732,500	622,264	-	(110,236)	84.95	84.95	-	-	-	-
Interest Earned - External Investments	145,000	-	145,000	-	-	145,000	313,906	-	168,906	216.49	216.49	-	-	-	-
Interest Earned - Outstanding Debtors	1,750,000	-	1,750,000	-	-	1,750,000	596,700	-	(1,153,300)	34.10	34.10	-	-	-	-
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Fines	81,000	192,500	273,500	-	-	273,500	53,713	-	(219,787)	19.64	66.31	-	-	-	-
Licences and Permits	5,000	15,000	20,000	-	-	20,000	593	-	(19,407)	2.97	11.87	-	-	-	-
Agency Services	1,265,000	-	1,265,000	-	-	1,265,000	832,080	-	(432,920)	65.78	65.78	-	-	-	-
Transfers Recognised - Operational	40,439,000	1,511,400	41,950,400	-	(13,008,375)	28,942,025	33,124,670	-	4,182,645	114.45	81.91	-	-	-	-
Other Revenue	3,396,402	3,467,005	6,863,407	-	-	6,863,407	2,081,927	-	(4,781,480)	30.33	61.30	-	-	-	-
Gains on Disposal of PPE	500,000	(500,000)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contrib	75,323,028	11,948,269	87,271,297	-	(13,008,375)	74,262,922	63,630,868	-	(10,632,054)	85.68	84.48	-	-	-	21,186,710
Expenditure															
Employee Related Costs	27,824,019	1,299,083	29,123,102	-	-	29,123,102	28,090,868	-	(1,032,234)	96.46	100.96	-	-	-	-
Remuneration of Councillors	2,069,200	-	2,069,200	-	-	2,069,200	1,949,332	-	(119,868)	94.21	94.21	-	-	-	-
Debt Impairment	3,500,000	455,510	3,955,510	-	-	3,955,510	6,304,666	2,349,156	2,349,156	159.39	180.13	-	-	-	2,337,434
Depreciation and Asset Impairment	5,200,000	4,574,830	9,774,830	-	-	9,774,830	-	-	(9,774,830)	0.00	0.00	-	-	-	-
Finance Charges	780,122	-	780,122	-	-	780,122	665,103	-	(115,019)	85.26	85.26	-	-	-	-
Bulk Purchases	13,317,610	-	13,317,610	-	-	13,317,610	11,275,885	-	(2,041,725)	84.67	84.67	-	-	-	-
Other Materials	4,685,000	(1,979,000)	2,706,000	-	-	2,706,000	3,010,162	304,162	304,162	111.24	64.25	-	-	-	-
Contracted Services	3,695,000	750,131	4,445,131	-	-	4,445,131	3,414,145	-	(1,030,986)	76.81	92.40	-	-	-	-
Transfers and Grants	550,000	5,100,737	5,650,737	-	-	5,650,737	448,765	-	(5,201,972)	7.94	81.59	-	-	-	-
Other Expenditure	27,721,730	(1,323,475)	26,398,255	-	-	26,398,255	11,963,412	-	(14,434,843)	45.32	43.16	-	-	-	-
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Expenditure	89,342,681	8,877,816	98,220,497	-	-	98,220,497	67,122,336	2,653,317	(31,098,161)	68.34	75.13	-	-	-	2,337,434
Surplus/(Deficit)	(14,019,653)	3,070,453	(10,949,200)	-	(13,008,375)	(23,957,575)	(3,491,468)	(2,653,317)	20,466,107	0.00	0.00	-	-	-	18,849,276
Transfers Recognised - Capital	-	-	-	-	13,008,375	13,008,375	13,667,010	658,635	658,635	105.06	0.00	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	(14,019,653)	3,070,453	(10,949,200)	-	-	(10,949,200)	10,175,542	(1,994,682)	21,124,742	0.00	0.00	-	-	-	18,849,276
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Surplus/(Deficit) for the Year	**(14,019,653)**	**3,070,453**	**(10,949,200)**	**-**	**-**	**(10,949,200)**	**10,175,542**	**(1,994,682)**	**21,124,742**	**-**	**-**	**-**	**-**	**-**	**18,849,276**

SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - BUDGET & TREASURY OFFICE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - TECHNICAL & ENGINEERING SERVICES	-	6,882,050	6,882,050	-	-	6,882,050	8,877,511	1,995,461	1,995,461	129.00	0.00	-	-	-	-
Vote 11 WASTE MANAGEMENT	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 14 WATER	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Multi-year	-	6,882,050	6,882,050	-	-	6,882,050	8,877,511	1,995,461	1,995,461	129.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - BUDGET & TREASURY OFFICE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - TECHNICAL & ENGINEERING SERVICES	2,136,375	3,989,950	6,126,325	-	-	6,126,325	6,126,325	-	-	100.00	286.76	-	-	-	-
Vote 11 WASTE MANAGEMENT	3,990,000	(3,990,000)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 14 WATER	10,252,000	(10,252,000)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Single-year	16,378,375	(10,252,050)	6,126,325	-	-	6,126,325	6,126,325	-	-	100.00	37.40	-	-	-	-
Total Capital Expenditure - Vote	**16,378,375**	**(3,370,000)**	**13,008,375**	**-**	**-**	**13,008,375**	**15,003,836**	**1,995,461**	**1,995,461**	**115.34**	**91.61**	**-**	**-**	**-**	**-**
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Budget and Treasury Office	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Corporate Services	-	-	-	-	-	-		-	-	0.00	0.00	-	-	-	-
Community and Public Safety:															
Community and Social Services	-	2,136,325	2,136,325	-	-	2,136,325	2,136,325	-	-	100.00	0.00	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Economic and Environmental Services:															
Planning and Develiopment	2,136,375	(2,136,375)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Trading Services:															
Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Water	-	-	-	-	-			-	-	0.00	0.00	-	-	-	-
Waste Water Management	10,252,000	(3,369,950)	6,882,050	-	-	6,882,050	8,877,511	1,995,461	1,995,461	129.00	86.59	-	-	-	-
Waste Management	3,990,000	-	3,990,000	-	-	3,990,000	3,990,000	-	-	100.00	100.00	-	-	-	-
Other:															
Other:	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Standard	**16,378,375**	**(3,370,000)**	**13,008,375**	**-**	**-**	**13,008,375**	**15,003,836**	**1,995,461**	**1,995,461**	**115.34**	**91.61**	**-**	**-**	**-**	**-**
FUNDED BY:															
National Government	12,429,000	579,375	13,008,375	-	-	13,008,375	13,008,375	-	-	100.00	104.66	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants	3,370,000	(3,370,000)	-	-	-	-	1,995,461	1,995,461	1,995,461	0.00	59.21	-	-	-	-
Transfers Recognised - Capital	15,799,000	(2,790,625)	13,008,375	-	-	13,008,375	15,003,836	1,995,461	1,995,461	115.34	94.97	-	-	-	-
Public Contributions & Donations	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	579,375	(579,375)	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Funding	**16,378,375**	**(3,370,000)**	**13,008,375**	**-**	**-**	**13,008,375**	**15,003,836**	**1,995,461**	**1,995,461**	**115.34**	**91.61**	**-**	**-**	**-**	**-**

SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	45,164,109	(11,819,579)	33,344,530	33,344,530	23,523,442	(9,821,088)	70.55	52.08	21,956,764
Government - Operating	24,097,000	465,000	24,562,000	24,562,000	32,974,384	8,412,384	134.25	136.84	26,697,971
Government - Capital	17,578,000	(5,149,000)	12,429,000	12,429,000	13,667,010	1,238,010	109.96	77.75	11,851,191
Interest	1,895,000	(1,750,000)	145,000	145,000	313,906	168,906	216.49	16.56	186,269
Dividends	-	-	-	-	-	-	0.00	0.00	-
Payments									
Suppliers and Employees	(61,818,974)	(6,132,000)	(67,950,974)	(67,950,974)	(56,530,099)	11,420,876	0.00	0.00	(46,746,672)
Finance Charges	(780,122)	(551,113)	(1,331,235)	(1,331,235)	(665,103)	666,132	0.00	0.00	(95,879)
Transfers and Grants	(550,000)	(5,100,737)	(5,650,737)	(5,650,737)	(448,765)	5,201,972	0.00	0.00	(206,601)
NET CASH FROM / (USED) OPERATING ACTIVITIES	25,585,013	(30,037,429)	(4,452,416)	(4,452,416)	12,834,775	17,287,192	0.00	50.17	13,643,042
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	500,000	(500,000)	-	-	1,392,808	1,392,808	0.00	278.56	572,362
Decrease / (Increase) in Non-current Debtors	287,000	(284,000)	3,000	3,000	16,987	13,987	566.22	5.92	13,105
Decrease / (Increase) Other Non-current Receivables	-		-	-	-				-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	0.00	0.00	(0)
Payments									
Capital Assets	(17,578,000)	3,794,605	(13,783,395)	(13,783,395)	(15,003,836)	(1,220,441)	0.00	0.00	(15,306,821)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(16,791,000)	3,010,605	(13,780,395)	(13,780,395)	(13,594,042)	186,353	0.00	0.00	(14,721,354)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	0.00	0.00	-
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
Payments									
Loans repaid	-	(314,119)	(314,119)	(314,119)	(471,139)	(157,020)	0.00	0.00	(397,743)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	(314,119)	(314,119)	(314,119)	(471,139)	(157,020)	0.00	0.00	(397,743)
	10,000	**304,119**	**314,119**	**314,119**	406,272				(2,981,359)
NET INCREASE / (DECREASE) IN CASH HELD	(8,784,013)	27,330,943	18,546,930	18,546,930	1,165,539	(17,381,392)	6.28	0.00	(1,903,047)
Cash / Cash Equivalents at the Year begin:	175,602	1,148,459	1,324,061	1,324,061	1,324,061	0	100.00	754.01	(578,986)
Cash / Cash Equivalents at the Year end:	8,959,615	(26,182,484)	(17,222,869)	(17,222,869)	158,522	17,381,392	0.00	1.77	1,324,061

APPENDIX F
SIYATHEMBA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 0F 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
FMG	Nat Treasury	1,500,000	0	0	0	0	(1,115,199)	(111,723)	(111,723)	(161,356)	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG	MIG	3,600,000	6,118,000	2,711,000	0	0	(2,063,682)	(669,719)	(1,844,848)	(7,395,138)	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Public Works	Nat Treasury	0	0	0	2,500,000	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Library	Province	344,500	0	0	0	0	(96,639)	(108,863)	(153,015)	(94,259)	344,500	N/A	N/A	N/A	Outstanding Reporting	Yes	N/A
DWAF O & M	DWAF	649,383	1,523,029	3,630,959	1,989,094	0	(662,507)	(1,032,731)	(3,404,581)	(4,401,271)	N/A	N/A	N/A	N/A	N/A	Yes	N/A
INEP	Energy	900,000	300,000	0	0	0	(604,595)	(322,796)	(272,609)	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	800,000	0	0	0	0	(131,867)	0	0	(668,133)	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	400,000	300,000	300,000	0	0	(23,020)	(672,940)	(304,040)	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		**8,193,883**	**8,241,029**	**6,641,959**	**4,489,094**	**0**	**(4,697,508)**	**(2,918,772)**	**(6,090,816)**	**(12,720,158)**	**344,500**	**0**	**0**	**0**			

APPENDIX G
SIYATHEMBA MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2013

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Speaker												
P. Papier	-	366,625	-	-	95,290	131,217	-	-	-	-	-	593,132
Councillors												
G.P. Mackay	-	181,371	-	-	-	12,396	-	-	-	-	-	193,767
F.M. Van Wyk	-	146,748	-	-	-	46,989	-	-	-	-	-	193,737
J. Molepe	-	181,341	-	-	-	12,396	-	-	-	-	-	193,737
G.A. Speelman	-	181,341	-	-	-	12,396	-	-	-	-	-	193,737
E. Martin	-	153,910	-	-	-	39,827	-	-	-	-	-	193,737
G. Macdonald	-	181,351	-	-	-	12,396	-	-	-	-	-	193,747
B.A. Titus	-	136,006	-	-	-	57,732	-	-	-	-	-	193,738
Total for Councillors	-	1,528,694	-	-	95,290	325,348	-	-	-	-	-	1,949,332
Municipal Manager												
J.R.M. Alexander	-	124,025	-	29,309	37,380	-	-	-	-	-	-	190,713
Chief Financial Officer												
H. Nieuwenhuizen	-	688,573	-	69,750	38,259	-	-	-	-	-	-	796,582
Manager: Technical Services												
J.J. Badenhorst	-	441,250	-	98,067	105,354	-	-	-	-	-	-	644,671
Total for Senior Managers	-	1,253,848	-	197,126	180,993	-	-	-	-	-	-	1,631,966
Total for Management	**-**	**2,782,542**	**-**	**197,126**	**276,283**	**325,348**	**-**	**-**	**-**	**-**	**-**	**3,581,298**

30 June 2012

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Speaker												
P. Papier	-	333,890	-	127,307	14,478	-	-	-	-	-	-	475,675
Councillors												
G.P. Mackay	-	122,857	-	42,028	339	-	-	-	-	-	-	165,224
F.M. Van Wyk	-	141,604	-	42,488	339	-	-	-	-	-	-	184,431
J. Molepe	-	133,225	-	42,028	14,005	-	-	-	-	-	-	189,258
G.A. Speelman	-	141,604	-	42,488	339	-	-	-	-	-	-	184,431
E. Martin	-	141,604	-	42,488	339	-	-	-	-	-	-	184,431
G. Macdonald	-	141,604	-	42,488	339	-	-	-	-	-	-	184,431
B.A. Titus	-	130,862	-	60,738	346	-	-	-	-	-	-	191,945
Total for Councillors	-	1,287,250	-	442,052	30,524	-	-	-	-	-	-	1,759,826
Municipal Manager												
G.J. Bessies	-	519,776	-	143,326	98,475	-	-	-	-	-	-	761,576
Chief Financial Officer												
H. Nieuwenhuizen	-	638,487	-	93,000	38,950	-	-	-	-	-	-	770,436
Manager: Technical Services												
J.J. Badenhorst	-	409,500	-	95,820	94,382	-	-	-	-	-	-	599,702
Total for Senior Managers	-	1,567,762	-	332,146	231,807	-	-	-	-	-	-	2,131,715
Total for Management	**-**	**2,855,013**	**-**	**774,197**	**262,331**	**-**	**-**	**-**	**-**	**-**	**-**	**3,891,541**